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Old Mutual

How demutualisation will bring black empowerment

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Long distance

Big business seeking a future

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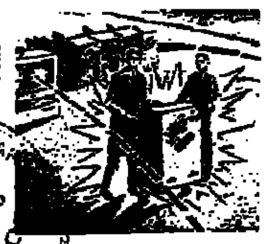
UN Security Council

US policy amounts to malign neglect

Edward Mortimer, Page 8



E-commerce

Business to business trading accelerates

Information Technology, Page 15

World Business Newspaper http://www.FT.com WEDNESDAY AUGUST 27 1997

Kohl underlines his opposition to reshuffle talks

German chancellor Helmut Kohl has underlined his refusal to reshuffle his cabinet by insisting that the issue will not come up at next week's strategy meeting of his Christian Democratic Union and the Christian Social Union, its Bavarian sister party. But talk of a possible reshuffle continued to produce political aftershocks in Bonn and Munich. Page 10

Asia's currency turmoil continues: The Indonesian rupiah and Malaysian ringgit depreciated significantly against the US dollar as south-east Asia's currency turmoil showed no sign of abating. Malaysia's stock market fell to its lowest level since early October 1993. Page 3

Michelin back on top: France's Groupe Michelin has regained its spot as the world's biggest tyremaker from Japan's Bridgestone. Page 12

Top North Korean diplomat defects

North Korea's ambassador to Egypt Jang Sung-gil, left, has defected along with his wife and his brother Jang Sung-ho, a North Korean trade official in Paris. The US state department confirmed that he had been granted asylum and State department spokesman James Rubin said Mr Jang was the highest ranking North Korean official ever to defect to the US.

French unions flex muscles: France's left-wing CGT trade union has called for demonstrations and possible strike action from September in an bid to hasten wage increases, job creation initiatives and a reduction in working hours. Page 2

BT shares suffer: British Telecommunications shares fell by more than 5 per cent after the disclosure that it had dropped an escape clause from its revised merger deal with MCI Communications. Page 11; Merging in haste, Page 9; Lex, Page 10

US software ruling: A US federal judge has cleared a barrier to the export of software that would make the internet a safer medium for financial transactions. Page 10

Stena reviews operations: Swedish ferry operator Stena Line has announced a fundamental review of operations in an effort to cut costs, improve competitiveness and reduce operating losses. Page 11

China expands South Korea trade: China is to expand its trade ties with South Korea, pledging to lower tariffs on more than 1,500 items and abolish non-tariff barriers. Page 4

Serb president gains ground: Biljana Plavsic – the Nato-backed Bosnian Serb president – is starting to win her power struggle with hardline nationalists. Page 2

US ends ban on Argentine beef: The 70-year US import ban on fresh beef from Argentina has ended. But the decision to allot an initial 20,000 tonnes quota to Argentine beef comes at a time when US consumption is declining and prices for beef are low due to recent E. coli outbreaks and scares. Page 4

Maybank increases provisions: Maybank – Malaysia's largest commercial bank – sharply increased bad debt provisions in the year to June 30. Page 11

Philippine property warning: Philippine property group Megaworld has warned that high interest rates could hit sales. Page 12

South Africa snubs IMF: South Africa's Reserve Bank has rejected advice from the IMF urging it to withdraw from international currency markets. Page 4

Mass poverty in Asia: Asia is still home to two-thirds of the world's poor, in spite of its rapid economic growth in recent years, said two reports from the World Bank. Wasteful spending and income disparity have left 900m people in Asia living on less than $1 a day. Page 3

Debt relief plan for Mozambique
Mozambique should get debt relief of up to $1.5bn to reduce its external borrowings, said World Bank and IMF proposals. Page 10

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7825.89	(-33.58)
NASDAQ Composite	1588.06	(-3.51)
Europe and Far East		
CAC40	2969.26	(-29.31)
DAX	3959.33	(-112.46)
FTSE 100	4896.3	(-14.8)
Nikkei	18,814.98	(+158.81)

US LUNCHTIME RATES

Federal Funds	5 3/16%
3-mth Treas Bills: Yld	5.239%
Long Bond	96 5/16
Yield	6.655%

OTHER RATES

UK: 3-mo Interbank	7¼%	(7 7/32%)
UK: 10 yr Gilt	101¼	(101)
France: 10 yr OAT	99.19	(99.12)
Germany: 10 yr Bund	102.19	(102.06)
Japan: 10 yr JGB	107.3305	(106.990)

NORTH SEA OIL (Argus)

Brent Dated	$17.885	(18.285)

GOLD

New York: Comex		
(Aug)	$325.7	(324.6)
London:		
close	$325.25	(324.95)

DOLLAR

New York: lunchtime		
£	1.6195	
DM	1.7975	
FFr	6.0540	
SFr	1.48735	
Y	118.175	
London:		
£	1.6127	(1.6052)
DM	1.8065	(1.8173)
FFr	6.0865	(6.1227)
SFr	1.4882	(1.4993)
Y	118.530	(117.4)
Tokyo close:	Y 118.53	

STERLING

DM	2.9036	(2.9171)

9 770174 736135

Mandela pays barbed tribute to man who helped end apartheid

De Klerk retires from S African politics

By Michael Holman and Mark Ashurst in Johannesburg

F.W. de Klerk, the former South African president who helped end apartheid, yesterday stood down as leader of the National Party and announced his retirement from politics.

"The time has come for me to retire from active politics," said the man who stunned South Africa and the world when he freed Nelson Mandela from jail in 1990, lifted the bans on the African National Congress and the Communist party, and paved the way for multi-party elections in 1994. "I am convinced that it is in the best interests of the party and the country."

President Mandela yesterday paid a barbed tribute to the man who ordered his release after 27 years imprisonment, and with whom he shared a Nobel prize in 1993.

"I hope South Africa will not forget the role which Mr de Klerk has played in effecting a smooth transformation from a painful past to the dispensation which South Africa enjoys today, whatever mistakes he has made – and it is possible that he has made very fundamental mistakes, as many of us have done," said the 78-year-old president.

Although initially cordial, relations between the two men deteriorated as negotiations for South Africa's new constitution got under way. However, neither allowed personal antipathy to stand in the way of a democratic non-racial South Africa, and after Mr Mandela's election victory in April 1994 Mr de Klerk accepted the post of one of two vice-presidents in the government of national unity.

But by the time the constitution was formally endorsed by the country's assembly in May last year, relations had worsened further and Mr de Klerk withdrew his National party from the coalition.

Mr de Klerk pursued his belief that the National party could jettison its apartheid baggage and appeal to enough black voters to make it an effective opposition capable of challenging the ANC in the 1999 election.

It became clear, however, that the party would be limited to controlling the provincial administration in the Cape province. One potential successor, Hernus Kriel, the Cape premier, is seen as belonging to the party's old guard and unlikely to appeal beyond its provincial stronghold.

Another candidate for the succession, Roelf Meyer, the party's chief constitutional negotiator, quit the party earlier this year and is preparing to launch a new political movement with Bantu

Bowing out: F.W. de Klerk announces his retirement from politics yesterday Picture: AP

Continued on Page 10
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Hoechst moves to offload generic drug units

By Graham Bowley in Frankfurt

Hoechst, Europe's biggest chemicals and drugs group, yesterday took its first step towards getting out of the generic drugs business, agreeing to sell one of its two US subsidiaries to a US pharmaceutical company.

The move, which comes amid reorganisation at the German group, underlines Hoechst's commitment to concentrate on its core activities in life sciences.

Hoechst said its drug division, Hoechst Marion Roussel (HMR), had agreed to sell the Rugby Group to California-based Watson Pharmaceuticals.

Peter Ladell, chief operating officer of HMR, said: "Direct participation in the generics drugs business is not part of our core business strategy, which is to discover and develop novel, branded pharmaceutical therapies for important human illnesses and make them widely and rapidly available to patients."

The move raises the prospect of the sale of Hoechst's two other main generic drugs subsidiaries – Copley Pharmaceuticals of the US and Arthur Cox in the UK. Hoechst said it was considering a number of options for these businesses, including joint ventures.

Hoechst said the businesses could be spun off before the end of the year, although this was not certain.

Details of the US deal were not disclosed, although Hoechst said the agreement included an initial payment of $70m. There were further contingent payments on some products and a profit-sharing agreement based on future results. Marion Merrell Dow, the group which Hoechst bought in 1995 to form part of HMR, bought the Rugby Group in 1993 for $275m.

Hoechst will continue to manufacture generic drugs but has taken the decision to have no directly-owned generic drugs businesses. As

Continued on Page 10

Nissan UK plant tops productivity table

By Haig Simonian, Motor Industry Correspondent

General Motors' car plant at Eisenach in the former East Germany has been toppled from its place as Europe's most productive car factory by Nissan in the UK.

Productivity at Eisenach, built in the 1990s by GM's Adam Opel subsidiary, fell from 71.9 vehicles per employee in 1995 to 67.7 last year. By contrast, the Nissan plant at Sunderland in north-east England, which opened in 1986, produced 73.2 cars per worker last year, up from third place, with 56.7 vehicles per employee, in 1995.

The study of productivity among European car companies by the Economist Intelligence Unit confirms the resurgence of motor manufacturing in Britain on the back of Japanese investment. It shows that Toyota's factory in the Midlands moved up to third place, from seventh in 1995, with output per employee climbing from 52.1 vehicles in 1995 to 66.9 last year. Honda's Swindon factory in southern England retained fourth place.

The study will provide ammunition for supporters of Britain as a manufacturing base for foreign investors, in spite of the sharp rise in sterling. Some motor industry executives have argued that Japanese carmakers are more concerned with long-term productivity improvements than shorter-term exchange rate factors.

The study makes bleak reading for many of Europe's older car plants, where the number of vehicles produced per employee is sometimes under 30. However, even the oldest plants improved productivity last year. Output per employee at Volkswagen's Wolfsburg factory in northern Germany, which suffers from overstaffing, climbed to 28.4 units from a bottom-ranking 17.6 in 1995.

The study has become established as a productivity benchmark among carmakers. However, critics say comparisons between factories remain flawed because of differences in models and other variants as well as data adjustments by the authors.

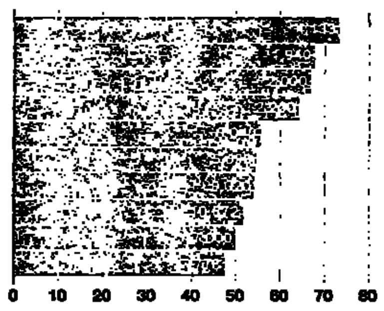
The report attributes the success of the Japanese plants to the fact that they are relatively new and have been able to select workers from thousands of applicants. It also notes that Japanese working practices tend to be more flexible, while Japanese cars are often engineered to be built more easily than European ones.

In spite of their primacy in Europe, productivity at the UK factories of Nissan, Toyota and Honda still lags well behind some counterparts in Japan.

Motor Business Europe, 3rd quarter 1997: £295/$475; EIU: +44 171 830 1007

Europe's most productive car plants

Vehicles per employee, 1996 (figure at end of bar is total workforce)



Sources: Vehicle manufacturers, EIU

Rise in consumption tax hit economy, says 'Mr Yen'

By Gillian Tett in Tokyo

Japan's economy has been harder hit by a rise in consumption tax than originally expected, according to Eisuke Sakakibara, the influential Japanese government official known as "Mr Yen".

"We have started to feel some concern about the weakness of consumption and the equity markets in the last two weeks," Mr Sakakibara, vice minister of finance for international affairs, said in an interview. "I am more concerned about the economy than I was two months ago."

The comments of the career civil servant are significant because he has established a reputation for moving currency and other financial markets by making sometimes blunt remarks about the state of the Japanese economy.

They came as long-term interest rates in the Japanese markets plunged yesterday to a record low in Tokyo, reflecting traders' unease about a possible slowdown. The yield on 10-year government bonds touched 2 per cent, after declining steadily in recent days. Yields on government bonds have not fallen below 2 per cent anywhere in the world for over 50 years.

Mr Sakakibara said he believed the Japanese economy would rebound soon and that the government would meet its target of 1.9 per cent growth in the 1997 fiscal year.

He also said the $16.7bn support package for Thailand, orchestrated by Japan and the International Monetary Fund, should be sufficient to plug its financing needs following the recent currency crises in the region. The problem was not one of the "Thai crisis spilling over, but that other countries have the same structural problems", he said, and these should be tackled through better banking supervision. He said south-east Asia needed to promote co-ordination, including the possibility of establishing a regional organisation to ensure financial stability.

Mr Sakakibara said he was confident that Japanese banks, which had loans totalling $37.55bn to Thailand as of June 1996, about half the total private debt, would roll over their short-term loans to the country, averting a possible liquidity squeeze.

Mr Sakakibara said Japan was now better prepared to play a regional role that reflected its economic status.

"Japan would like to fulfil a major role in the area, but we want to consult with the other Asian countries so that it is not always Japan that takes the initiative," he said.

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Signs of post-holiday tension between French government and labour movement

CGT urges job and wages protest

By Andrew Jack in Paris

One of France's leading leftwing trade unions yesterday called for demonstrations and possible strike action from the start of September in an effort to push rapidly for wage increases, job creation initiatives and a reduction in working hours.

Louis Viannet, secretary-general of the Communist-backed CGT, said he was seeking common ground with other unions as part of his organisation's efforts to turn the post-holiday period into a mobilisation for "protest".

His comments mark the first signs of tension between France's leftwing government and the labour movement as unions grow impatient for signs of a commitment to implement electoral pledges.

The comments are especially significant in view of the power wielded by the Communist party as part of the French government. The party has three ministers in the cabinet.

Mr Viannet made his demands as the daily newspaper Le Monde suggested advisers to the government had recommended abandoning the electoral pledge to reduce the working week to 35 hours while maintaining pay at the existing limit for 39 hours.

The report said new legislation would demand a reduction in the working week by the year 2000, but with penalties introduced meanwhile for employers whose staff worked more than 39 hours a week.

The ministry of employment and solidarity said yesterday no decision had yet been taken on the content of the draft working hours law, and consultations with unions and employers' groups would begin only next week.

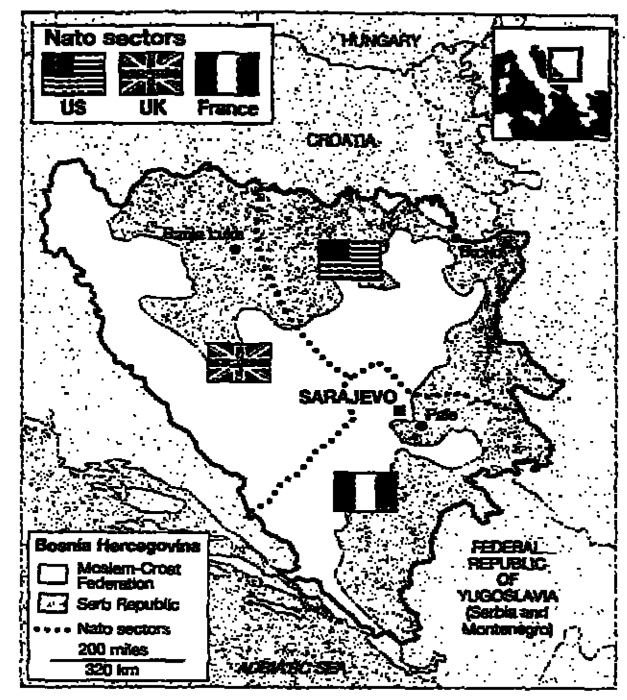
However, it said that Martine Aubry, employment minister, had already acknowledged the need to scrap the Robien Law, introduced by the previous centre-right government of Mr Alain Juppé to offer tax breaks for employers who hired or preserved employment by reducing working hours.

The issue will be among those to be discussed at a salary conference scheduled to take place by early October. However, Mr Viannet said yesterday he wanted detailed proposals to be ready ahead of the meeting.

He warned that it was a "risky strategy" for the government to take too much time to implement its pledges, and said a reduced working week needed to be introduced rapidly and not over several years.

Transport unions in Paris have warned of a possible strike at the start of September. The CGT picketed offices of France Telecom in Paris yesterday in a protest against its possible privatisation.

Plavsic gains ground in struggle with hardliners



The Bosnian Serb army chief of staff, who attempted to lead a mutiny last week against the president, Biljana Plavsic, refused yesterday to attend crisis talks she called in the north-west Bosnian town of Banja Luka, writes Guy Dinmore in Belgrade. General Pero Colic was in the Bosnian capital, Sarajevo, to meet Nato commanders and declined an offer of a helicopter to take him to Mrs Plavsic's stronghold, a UN official said.

Serb officials said Mrs Plavsic, who as president is the supreme commander of the armed forces, intended to sack Gen Colic after he abandoned his neutral position and sided with rival hardliners loyal to the former Bosnian Serb president, Radovan Karadzic. Gen Colic, who does not have the full backing of the weakened Serb army, last week claimed Mrs Plavsic had acted with Nato's backing against the constitution and that the military would no longer sit and watch Serb-controlled territory be torn apart by the power struggle.

The Nato-led Stabilisation Force (Sfor) was expected to tell Gen Colic his troops should remain confined to barracks.

Most of the Bosnian Serb army command did meet Mrs Plavsic, including the air force commander, General Milan Torbica, General Momir Talic, head of the First Krajina Corps, and General Novica Simic, commander of the Bijeljina Corps. The international community continued to pile pressure on Mrs Plavsic's hardline opponents and ignored a meeting of parliament they called in Pale.

Biljana Plavsic, the Nato-backed Bosnian Serb president, is gaining ground in her power struggle with hardline nationalists whose shrinking authority may lead to political oblivion and, ultimately, prosecution for war crimes.

But despite steady progress in imposing her control over the police, media machine and now the army, even her closest advisers concede the risks are great, both for the former plant scientist, and the international community trying to preserve peace in Bosnia.

"Survival of the Serb republic is as stake," said Milan Dupor, the president's legal adviser in Banja Luka, her power base in north-west Bosnia.

Mrs Plavsic enjoys broad popular support among Serbs in Banja Luka – not for ideological reasons, as her nationalist rhetoric differs little from that of her rivals. It is more out of a sense of economic desperation and fear that their ethnically pure statelet will be swallowed up by the more powerful Moslem-Croat federation, if Nato pulls out on schedule next June.

The contrast between Banja Luka and Pale, the stronghold of Radovan Karadzic, the ex-president indicted for war crimes, could not be greater. Tension between the two power bases always existed, even during the 1992-95 Bosnian war when renegade Serb army officers in Banja Luka launched an unsuccessful coup attempt.

Banja Luka is Bosnia's second biggest centre after Sarajevo. Now the town's Moslem-Croat majority has been replaced by tens of thousands of Serb refugees from nearby Croatia. The economy, as described by Mr Dupor, is non-existent. Employment is about 10 per cent; wages average less than $100 a month.

Day and night, trucks laden with cargoes of valuable timber pass through Banja Luka. But instead of heading north to Croatia they turn east to eastern Bosnia and on to Serbia, the profits filling the pockets of the Pale leadership.

Pale, a small ski resort where sheep graze around government buildings, is designated "Serb Sarajevo", the constitutional capital of Republika Srpska. Parliament, the central bank and the headquarters of Serb Radio Television (SRT) are based there, along with little else except the heavily guarded villa of Mr Karadzic, whose portrait stares down from posters everywhere.

If Mrs Plavsic can wrest power from the faction led by Mr Karadzic and Momcilo Krajisnik, the hardline Serb representative on the collective Bosnian presidency, then Banja Luka will become the Serb capital. Its trade routes with Croatia and Europe, blocked by Mr Krajisnik, will reopen, and Pale's control over a lucrative smuggling network will disappear.

If not, then Republika Srpska risks being torn in two. A glance at the map reveals its territorial fragility, with the more prosperous and populated west joined to the poorer east by a corridor, just 10 miles wide, through the town of Brcko.

When Richard Holbrooke, the architect of the Dayton peace accord, met Mrs Plavsic this month, he was, according to Mr Dupor, interested in only one question: "Do you want to split Republika Srpska from the rest of Bosnia?"

The answer was No, and with that Mrs Plavsic won Nato's full backing, despite her reputation as a nationalist ideologue.

Since then, the tide has turned decisively against the Pale leadership. Troops of the Nato-led Stabilisation Force (Sfor) took control of all police buildings in Banja Luka, evicting commanders opposed to Mrs Plavsic and uncovering illegal arsenals stored for a possible coup.

The ruling hardline Serb Democratic party (SDS) has begun to disintegrate, and SRT journalists in Banja Luka have refused to continue churning out the "primitive propaganda" of Pale.

However, the SRT director, Miroslav Toholj, said: "Sfor should act as an army to protect peace, not meddle in political affairs."

To Mr Toholj and many other Serbs, Mr Karadzic is a "hero and victim", the founder of Republika Srpska whose 800,000 or so people, many of them impoverished refugees, are all that is left of the dream of a "Greater Serbia" that led to Yugoslavia's disintegration in 1991.

Their loyalties will be tested in parliamentary elections that Mrs Plavsic and the international community insist will go ahead on October 12 despite opposition from hardliners in Pale. The SDS has been weakened by Mrs Plavsic's allegations of corruption and could lose its majority to the president's new party and a coalition of opposition groups.

"The international community is not going to allow the division of Republika Srpska. That has to be very clear," Carlos Westendorp, the international High Representative, said in Sarajevo. "We have to solve this by peaceful means, and that is by going to the polls and voting."

Guy Dinmore

Polish banks set for foreign challenge

Christopher Bobinski looks at Warsaw's privatisation plans in the first of a five-part series investigating the banking sectors of countries preparing for EU membership

Poland's government is pressing ahead with its bank privatisation programme without pausing to wait for the result of parliamentary elections planned for September 21. With bank disposals a key element of the country's preparations for joining the European Union, the strategy is spurred by the fact that talks on Poland's accession are expected to start early next year.

The government advertised this month for an adviser for the sale through a public share offer of a 5-15 per cent stake of the Pekao banking group, one of Poland's biggest bank institutions. Plans are also in place for sale through the Warsaw stock exchange in autumn of a 51 per cent stake in the Powszechny Bank Kredytowy (PBK).

The government was pleased at the successful sale earlier this summer of Bank Handlowy (BH), which valued one of Poland's largest banks at just over $1bn. The public sale was combined with the placement of a 21 per cent strategic stake with J.P. Morgan, Swedbank, the Swedish retail bank, and Zurich Insurance.

These three institutions will help prepare BH for the competitive challenge from foreign banks once they are free to operate in the country after the end of 1998, and later when Poland becomes an EU member.

Privatisations this year and next should put the share of the banking system in state hands, now at about 55 per cent, below the 50 per cent mark. But Poland's banking system, once inside the EU, will still find it hard to compete with banks from abroad.

For one thing, Poland's banks are under-capitalised. For example, the state-owned PKO BP savings bank, which continues to dominate the retail deposit sector, is 20 times smaller than Barclays in the UK. Bank deposits in Poland make up a mere 30 per cent of gross domestic product, compared with 45 per cent of GDP in Greece.

The country is still underbanked. There are 91 bank branches for every 1m Poles, compared with 100 branches per 1m population in Turkey, which also aspires to join the EU.

The relative lack of competition in Poland means that, according to World Bank estimates, net interest margins are up to eight times higher than in the EU, while the ratio of operating costs to assets is twice that in the EU.

Even though a broad swathe of foreign banks is already in place in Poland, only Citibank of the US has so far said it will be developing retail banking on a large scale. Others such as Deutsche Bank or Dresdner have concentrated on corporate banking, while ING of the Netherlands and Allied Irish have bought majority stakes in Polish regional banks in an attempt to develop their local operations.

> The World Bank warns that once Poland joins the EU 'increased volatility' will ensue in banking

According to Mieczyslaw Groszek, head of the Polish Development Bank (PBR), a local investment bank, the competition will hit home after the end of 1998.

This is when, under Poland's agreement with the Organisation for Economic Co-operation and Development, the central bank will no longer be allowed to license foreign banks, which will be able to open operations as they like.

The state of Polish banking is not expected to be an insurmountable problems in membership talks with Brussels.

But the European Commission, in its assessment of the Polish economy published last month, stressed Poland must make progress on bank privatisation. Capital adequacy ratio requirements must be tightened to provide for increased market risks.

The Commission appeared satisfied with banking supervision. It concluded that "no major difficulties are foreseen in achieving full approximation in the banking area," as many EU banking directives are already incorporated into Polish law and the promise to the OECD to open up the country to foreign banks in 1999 is in place.

The World Bank is less sanguine than the EU. While also stressing the need for progress on privatisation, it warns that the competitive gap with foreign banks is large and that once Poland joins the EU, "increased volatility" will ensue. This will require strong banking supervision and a "consistent approach to bank restructuring and liquidation".

The World Bank also warns that Polish laws and courts need to do more to protect creditors in an environment which still favours unreliable debtors.

Meanwhile, Polish bankers are closing ranks against the competitive threat. The private BIG bank headed by Boguslaw Kott has taken over the regional Bank Gdanski as the first step to forming a financial services group.

Stanislaw Pacuk, his arch-rival and founder of the Kredyt Bank, purchased the central bank-owned Polish Investment Bank (PBI) earlier this year in a similar move. Mr Groszek at the PBR, backed by Bank Przemyslowo Handlowy (PBH), appears intent on forming an alliance with PBK as it emerges from this autumn's public offer.

The combined capital of these groups will still be small. The local banking industry appears resigned to the prospect of being forced to give way to larger foreign banks. If anything, they see a niche for themselves in doing business in countries further to the east, where they in turn will be able to play a leading role.

Subsequent articles will cover the Czech Republic, Estonia, Hungary and Slovenia

German trade surplus rises sharply

By Peter Norman in Bonn

Germany's merchandise trade surplus jumped sharply in June, with the weak D-Mark helping it to its highest monthly level since unification in 1990.

The federal statistics office reported that the visible trade surplus rose to a provisional DM13.4bn ($7.2bn) in June from DM9.8bn in May and was more than double the DM6.5bn recorded in June last year.

The German current account, which includes trade in goods, services and certain unilateral transfers, was estimated to have a surplus of DM4bn in June compared with deficits of DM2.6bn in May and DM800m in June 1996.

The D-Mark's weakness contributed to strong growth in German exports.

Visible exports rose to DM77.3bn in June from DM70.8bn in May and were up 23.3 per cent from DM62.7bn in June 1996.

Imports also rose, to DM63.9bn in June from DM61bn in May and were 13.7 per cent up on June 1996 imports of DM56.2bn.

Western Germany's year-on-year inflation rate reached 3 per cent in August, the highest level since March 1995, according to provisional statistics office figures this week. Annual inflation ran at 1.7 per cent in June and July.

Higher fuel prices, reflecting the dollar's strength, were a key factor in the acceleration of inflation from the 1.7 per cent annual rates of June and July.

Despite growing evidence of imported inflation, the Bundesbank left its short term securities repurchase (repo) rate unchanged at 3 per cent yesterday.

Denmark's budget set to show surplus for first time in 10 years

By Hilary Barnes in Copenhagen

Denmark's central government budget will show a surplus of DKr3.7bn ($533m) this year, rising to DKr7bn in 1998, according to the draft 1998 budget published yesterday.

It will be the first time for 10 years that the budget has been in surplus.

The general government surplus, including local government, will move up from DKr6.7bn this year to DKr9.3bn, or from 0.6 to 0.8 per cent of gross domestic product.

One-off income from privatisation sales totalling DKr15bn, mainly from a reduction of the state's 52 per cent stake in the national telephone company, Tele Danmark, is the main item strengthening the 1998 budget.

Excluding one-off items, the budget balance will be improved next year by about DKr2.6bn, according to the government, which said the budget stance will curb GDP growth by around 0.2 percentage points.

The budget is based on an optimistic economic outlook. GDP is expected to increase by about 3 per cent in real terms in both 1997 and 1998, while the current account of the balance of payments remains in surplus to the tune of about DKr10bn both this year and next.

Unemployment has fallen to about 7.8 per cent this year and is expected to fall to an annual average level of 7.4 per cent in 1998 after peaking at 12.3 per cent in 1993.

Consumer prices are expected to increase slightly faster, rising by 2.3 per cent this year and 2.6 per cent in 1998, compared with 2.1 per cent in each of the two previous years.

Mogen Lykketoft, the finance minister, said the government was aware of the dangers of an overheating economy after four years of steady growth.

He said he was prepared to take action to curb the economy if necessary.

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EUROPEAN NEWS DIGEST

Scientologists 'not hostile'

In defiance of a nationwide agreement, government ministers of a northern German state decided yesterday not to put the Church of Scientology under immediate surveillance.

Citing a 1991 state law, ministers of Schleswig-Holstein said that the Scientologists had not displayed the "actively hostile attitude towards the state" which was necessary to merit observation.

In June, interior ministers from Germany's 16 Länder, or states, joined with the federal interior minister, Manfred Kanther, in deciding that the Los Angeles-based church should be put under immediate observation as a threat to democracy. The Schleswig-Holstein interior minister had voted in favour of that decision, but his fellow state ministers overruled him yesterday. Instead, the state will wait a year and study reports on the Scientologists from Germany's other 15 states, before deciding whether to use surveillance.

A number of German states and organisations already have banned Scientologists from participating in political parties, sparking recent criticism from human rights observers in the US. *AP, Kiel*

■ NUCLEAR PLANT

Court dismisses Swiss claim

The European Court of Human Rights yesterday dismissed complaints that the Swiss government violated the rights of people living near a nuclear power plant by extending its lifetime without a court hearing.

The Strasbourg-based court ruled by 12 votes to eight that a Swiss refusal to appoint a court to review a decision to extend the operating licence of the Mühleberg plant until 2002 was not a violation of the European Convention on Human Rights.

More than 28,000 people, from Switzerland, Germany and Austria, wrote to the Swiss Federal Energy Office to urge closure of the station when the extension was sought in 1990, saying the plant had serious defects. The European court, in a victory for plant operator BKW FMB Energie AG of Berne, ruled that the plaintiffs had failed to show that the power station exposed them to serious or imminent danger.

In 1992, Switzerland granted an extension of the operating licence of the plant until the year 2002 and approved a 10 per cent increase in output. The plaintiffs alleged that the decision violated the European human rights convention, which states that "everyone is entitled to a fair hearing by a tribunal". *Reuters, Strasbourg*

■ TURKISH POLITICS

Yilmaz accused of jobs bias

A centrist party in the coalition government of Mesut Yilmaz, Turkey's prime minister, threatened yesterday to quit the two-month-old cabinet, accusing the premier of bias in appointing new state officials.

However, Husamettin Cindoruk, leader of the Democratic Turkey party, said that even if his group withdrew, it would still continue to support Mr Yilmaz from outside to avoid a government crisis.

Democratic Turkey has been angered by Mr Yilmaz's policy of replacing almost all senior state officials with supporters of his conservative Motherland party after he came to power in June. Yesterday's development was the first sign of a crack emerging in Mr Yilmaz's three-party secular coalition, which replaced an Islamist-led government. Mr Yilmaz has sacked hundreds of senior state officials and civil servants from their posts in ministries and state-run banks and public enterprises. Press reports said many had been replaced by Motherland members. *AFP, Ankara*

■ EUGENICS

Norway says 2,000 sterilised

About 2,000 men and women underwent forced sterilisations between 1934 and 1976 in Norway, where the practice was not as widespread as in Sweden, according to Norway's health ministry.

Those sterilised by force in Norway were primarily people suffering from mental illnesses, the ministry said. "The figure of 40,000 forced Norwegian sterilisations, presented by a Swedish newspaper, is very exaggerated," Nils Roll-Hansen, an Oslo University philosophy professor, said.

He also contested the figure of 12,000 to 15,000 forced sterilisations claimed by a Norwegian writer, Olaf Rune Ekeland Bastrup. "The confusion arises undoubtedly from the fact that the total number of forced and voluntary sterilisations in Norway was in the range of 40,000," Mr Roll-Hansen said. The majority of those were conducted between 1966 and 1976, according to health authorities.

In Finland, where a law on forced sterilisation was dropped in the 1970s, authorities know of 1,400 cases. Sweden has in recent days been shocked by revelations that consecutive Swedish governments conducted 60,000 forced sterilisations on men and women in an attempt to create a stronger Swedish race. *AFP, Oslo*

■ SWEDEN

Row over stadium bombing

A senior Swedish police official sharply criticised the leader of Stockholm's Olympics bid committee yesterday for suggesting that a stadium bombing was the work of foreigners.

The blast at Ullevi Stadium in Gothenburg on Monday was the second bombing this month of a facility that would be used under Stockholm's proposal for the 2004 Olympic Games. Since May there have been at least nine incidents of arson believed to be linked to the Olympics bid.

The latest bombing occurred 11 days before the International Olympic Committee is to meet to decide which of five cities will host the games.

Olof Stenhammar, the bid committee chairman, said: "All of us have trouble believing that this professional sabotage started in Sweden."

But Gunno Gunnmo, chief of the Stockholm county police, said yesterday: "I think that was a very unfortunate statement. We don't have anything that indicates anything other than that this is confused Swedes who are disturbing a democratic society through something that resembles civil disobedience." Other cities bidding for the Olympics are Athens, Cape Town, Buenos Aires, and Rome. *AP, Stockholm*

■ FORMER EAST GERMAN LEADER

Krenz in appeal over sentence

Egon Krenz, East Germany's last hardline communist leader, lodged an appeal yesterday against his manslaughter conviction for the deaths of refugees killed in the 1980s as they tried to flee over the Berlin Wall.

A Berlin court on Monday sentenced Mr Krenz to 6½ years in prison. He was immediately put in jail because authorities feared he would flee, although his sentence will not become legally binding until his appeal is heard.

The court found that even though Krenz had not pulled a trigger, he carried political responsibility because he shaped the shoot-to-kill orders carried out by border guards.

Mr Krenz denounced the trial as "victors' justice" and vowed to fight the ruling in the European Court of Justice. *Reuters, Berlin*

Malaysian stock market at lowest level in three years □ Indonesian currency supply increased

Fresh turmoil hits rupiah and ringgit

By James Kynge in Kuala Lumpur

The Indonesian rupiah and Malaysian ringgit depreciated significantly against the US dollar yesterday as south-east Asia's currency turmoil showed no sign of abating, despite the recent international package provided to ease Thailand's financial crisis.

One immediate casualty of the renewed currency weakness was Malaysia's stock market, which fell to its lowest level since early October 1993. The Kuala Lumpur Stock Exchange's benchmark index lost 3.16 per cent to close at 856 points.

The ringgit registered M$2.7850 to the US dollar in late trade yesterday after briefly touching M$2.79, against M$2.7730 late on Monday. Dealers ascribed its fall to generally skittish sentiment over Malaysia's economy, and the rupiah's fall.

One source of concern is the fact that the Japanese yen, in which many of Malaysia's crucial manufacturing inputs are imported, has appreciated 7.6 per cent since January this year and 19 per cent since May. This raises concerns that Malaysia's trade deficit may be set to widen significantly.

The ringgit also fell to a historic low of M$1.866 against the Singapore dollar yesterday, prompting Singapore investors in Malaysia's stock market to sell some of their considerable holdings.

The rupiah's decline sprang from different factors. Treasury economists in Singapore said maturing central bank papers had released fresh supplies of the Indonesian currency, driving down short-term interest rates and prompting speculators to sell. By late trade in Jakarta, the rupiah stood at 2,770 to the US dollar, against 2,690 at the start of yesterday's trade.

The wellspring of regional uncertainty remains Thailand. Last week's announcement that the Thai central bank has US$23.4bn in obligations due over the next 12 months has eclipsed the positive sentiment generated by the earlier unveiling of a US$16.7bn international emergency aid package.

The Philippine peso weakened as foreign funds pulled out of a badly hit stock market. The peso ended at 30.02 to the dollar against 29.895 in late trade on Monday. The stock market closed at a 21-month low yesterday.

The Singapore dollar briefly fell through the important level of S$1.5000 to the US dollar. It recovered slightly in late trade to about S$1.493.

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Vietnam's reformists take the PR route

By Jeremy Grant in Hanoi

Foreign bankers and diplomats were in for a surprise when they gathered at the Ho Chi Minh museum this week for the "introduction ceremony" of Vietnam's stock exchange commission.

Instead of the wooden speeches favoured by government officials, they got an unprecedented display of western-style public relations. Slick attendants handed out souvenir attaché cases containing the launch issue of "Vietnam Securities", a glossy magazine detailing plans for a stock market. Light pop music drifted from speakers. TV cameras whirred.

With top-level leadership changes expected in the ruling Communist party next month, as well as a new government, reformists and conservatives are jostling for positions of influence. But the reformists have gambled on breaking with traditional practice of acting behind closed in a bid to get their message across. For many foreign investors, currently sour on business prospects, it worked.

"I think someone has started to realise the value of PR," said one foreign lawyer at the ceremony. "It felt like a minor political rally; as if to convey a message."

The reformists, more than any other faction, are under pressure to get their pro-market, pro-reform message across. For more than 18 months, Vietnam's so-called *doi moi* reforms have been stalled by opposition from the Communist party which is wary of a rush to a market economy.

Crucial banking reforms have been shelved and Hanoi has failed to tackle reform of loss-making state-owned companies.

The reformists' latest champion, the deputy prime minister, Phan Van Khai, was guest speaker at the stock exchange ceremony. He spoke of the need for a "new stage of development".

He also urged the establishment of a securities market and the building of a "trustworthy information disclosure regime", words that could have been plucked from any World Bank report on emerging economies.

The reality is that a stock market is still some years off. Few companies are healthy enough to warrant listing and Vietnam has made only tentative steps towards privatisation.

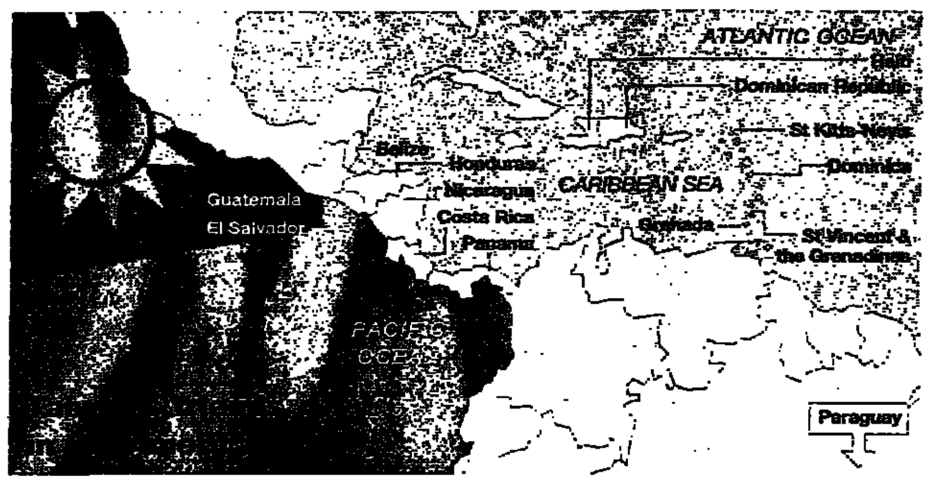
Mr Khai is tipped to succeed Vo Van Kiet as prime minister when the National Assembly meets in September. One speaker inadvertently referred to Mr Khai as "prime minister", a slip of tongue that provoked some gossip. In public relations terms, however, it may have been just what they wanted.

Taiwan works hard to keep allies

Diplomatic rivalry with Beijing shifts to central America, writes Laura Tyson

Beijing and Taipei are turning up the heat in their longstanding diplomatic rivalry. The latest battle-ground is central America and the Caribbean, where the "two Chinas" are wooing leaders with promises of cash and aid.

The sparring over the affections of the region's small states is intensifying before an international conference next month in Panama. Last week Taiwan officials said the tiny island state of St Lucia had decided to switch ties to Beijing, lured by an offer of $1m.



Lee Teng-hui, Taiwan's president, will attend the forum as part of a two-week tour of the region, including a detour to Paraguay, during which he is expected to discuss a proposed free trade agreement and the establishment of a $200m development fund for cash-strapped allies in the region.

The rare overseas trip underscores Taipei's determination to continue its foreign relations drive in spite of recriminations from Beijing, which angrily severed bilateral contacts over Mr Lee's last foray abroad, a visit to the US in June 1995.

Under Chinese pressure, the United Nations said last week it would boycott the September 7-10 forum in Panama City, saying it would not be "prudent" to take part because of Mr Lee's attendance. Other important figures, including US President Bill Clinton, have declined to join the forum for fear of offending China.

Taiwan is not a member of the UN. Beijing holds a permanent seat on the Security Council, which allows it to block Taiwan's participation in UN activities. When Taipei's allies renewed a campaign to allow Taiwan to join the UN, Beijing warned that they would "ultimately pay the price".

Panama is now Taiwan's most important diplomatic ally both strategically and economically since Nelson Mandela, South Africa's president, announced in November 1996 that his country would switch recognition to Beijing later this year.

Fourteen of Taipei's 31 diplomatic allies are in central America and the Caribbean. Beijing regards Taiwan as a rebel Chinese province not entitled to conduct foreign relations, and tries to cajole and threaten Taipei's dwindling number of allies to switch recognition to Beijing.

Ernesto Balladeres, Panama's president, has so far resisted such pressures, saying his country will not sacrifice diplomatic relations with Taipei even if China stops using the Panama Canal.

China is now the third biggest user of the canal. Bilateral trade has risen in recent years and China via Hong Kong exported nearly $1.2bn last year to the Panamanian free trade zone, mostly electronics for resale.

Taiwan's trade with Panama is small but it has substantial commercial interests there. Taiwan's Evergreen group, the world's biggest container shipping company, is building an $85m container port at Colon to link its routes between north and south America. The transshipment hub is to have a capacity of 400,000 containers a year and the first stage is set to begin operations later this year. Evergreen's airline, Eva Air, has weekly flights to Panama.

Taiwan has donated $800,000 to help organise the conference, which will focus on the canal's future. The 84-year-old US-built waterway will be turned over to Panamanian control in 2000.

In an effort to bolster ties in the region, Taiwan has proposed to set up a $200m development fund, to which Taipei would contribute $100m and the member countries would together provide the remaining $100m.

Loh Pin-cheung, secretary-general of the International Co-operation and Development Fund, Taiwan's official aid agency, said the idea had been well received but still under discussion were the size of the fund and which countries would join the initiative.

Taipei has also proposed creating a free trade area modelled after the North American Free Trade Agreement (which groups the US, Canada and Mexico) between Taiwan and the central American states. The proposal includes a plan to bring about 30,000 workers from central America to Taiwan where the minimum wage is over $500 a month, far outstripping pay at home. Apart from the increased trade and investment that such a pact would bring, remittances of overseas workers would help the development of central American economies.

In addition to Panama, President Lee will go to El Salvador for a summit meeting of the six central American leaders. He will travel on to Honduras and Paraguay.

ASIA-PACIFIC NEWS DIGEST

Internet use to soar in region

There are expected to be 25.2m subscribers to the internet in the Asia-Pacific region, excluding Japan, by 2002, compared with 2.7m last year, according to a study by Salomon Brothers, the US investment bank. Revenue from subscribers is set to climb from US$1.7bn to US$10.4bn over the same period, the study forecast. Sales of related telecommunications services, internet design and internet commerce could be equally large, and growing faster by 2002, the report predicts.

Kaushik Shridharani, author of the report and regional media analyst at Salomons in Hong Kong, says that growth of the internet in the region is likely to be patchy, with significantly different growth rates across the various countries. Australia, which had 1m internet users last year is expected to remain the biggest user with 5.75m subscribers by 2002. Indonesia and Thailand are expected to be among the laggards with 450,000 users and 520,000 users forecast by that date.

In 1996, according to the study, there were 1.8m users in the region, compared with 7.4m in western Europe and almost 20m in the US. *John Ridding, Hong Kong*

■ TAIWAN VOTE

Lee confirmed as party leader

Taiwan's President Lee Teng-hui was yesterday voted to a third term to lead the ruling Nationalist party in an uncontested election, further consolidating his grip on power. He secured over 93 per cent of the total votes cast by 2,209 party delegates, well above the 82.5 per cent he won four years ago.

Mr Lee's re-election came on the second day of the Nationalist party's four-day 15th congress, whose main business is choosing its chairman and reviewing party affairs and policies. *Laura Tyson Taipei*

■ CHEATING SUSPECTED

Chinese farmers in riot

More than 1,000 farmers, who suspected officials of cheating them, fought with police in southern Guangdong province in a seven-hour melee that left several policemen injured, a local official said yesterday. The riot broke out last Friday in Beixiang village, about 400km north of Hong Kong, after farmers grew suspicious that the scales officials were using to weigh their grain had been tampered with. *AP-DJ, Beijing*

■ COMMITMENT INCREASED

ADB loan for Bangladesh

The Asian Development Bank yesterday announced a $420m development loan to Bangladesh, increasing its annual commitment to the country by more than 50 per cent. The soft loan will be at the concessionary rate of 1 per cent from the ADB's Asian Development Fund and will be used to finance five projects to improve health and education facilities, rural infrastructure, and a railway link over the $1bn Jamuna bridge which is still under construction. The bank has also agreed to a $80m commercial rate loan to upgrade the country's two stock exchanges, set up a national stock exchange, and train staff. *Kasra Naji, Dhaka*

Bank assails waste and inequality in east Asia

By Peter Montagnon, Asia Editor

Wasteful spending on subsidies in India and income disparity in east Asia have helped ensure that Asia is still home to two-thirds of the world's poor, in spite of its rapid economic growth in recent years, according to two reports* from the World Bank published today.

About 900m people in Asia subsist on less than $1 a day, with 35 per cent of Indians and 20 per cent of all east Asians still having to eke out an existence at this level, creating a level of inequality which may hamper economic growth, the bank says.

But while poverty remains a serious problem, the bank is reasonably optimistic it can be dealt with.

If India could sustain its present growth rates of 6 to 7 per cent, the incidence of poverty could plummet to just 6.3 per cent of the population by 2005, it says. But it urges less reliance on subsidies, which are often appropriated by the better-off.

In east Asia, there is concern about inequality, because severe shortages of skilled labour are driving up income disparities. Though the bank says there are no easy answers, this warrants a new focus among policymakers on the need to tackle poverty.

Higher levels of education have driven a wedge between skilled and unskilled workers in east Asia, and the concentration of economic activity in certain areas has meant wide geographic differences in standards of living. The prosperity of Bangkok and China's coastal provinces has passed rural Thailand and inland China by.

"An increase in inequality is not only likely to slow down the rate of poverty reduction, but it is also damaging in its own right, given the value that east Asian societies place on social cohesion, relative income equality and parity of opportunities," the bank says.

It may hamper economic growth by impeding the development of capital markets and through increased voter support for inefficient redistributive policies.

Robust levels of growth could help reduce poverty in India, it adds. But it warns that the contribution of health and education programmes has been patchy at best, while many official anti-poverty programmes miss the mark.

The record is mixed, with such states as Punjab and Haryana achieving a significant reduction in poverty through an emphasis on rural growth combined with good initial conditions in infrastructure.

Kerala reduced poverty by a focus on human resource development, but other states such as Bihar have made little progress.

The share of anti-poverty programmes in total central budget expenditure rose to 7.7 per cent in the 1995-96 fiscal year from 5.4 per cent at the start of the decade. But the programmes have yielded a poor return, because they have been under-funded and poorly targeted with high administrative costs and poorly defined objectives which reduce accountability.

India needs to reform its anti-poverty programmes with more emphasis on infrastructure, health and education and better targeted safety nets, it says.

**Everyone's miracle? Revisiting poverty and inequality in east Asia, pp107, and India, achievements and challenges in reducing poverty, pp72. Available from the World Bank Bookstore, tel ++1 202 473 4266, fax ++1 202 477 0604, email books @worldbank.org*

South African central bank snubs IMF on rand defence

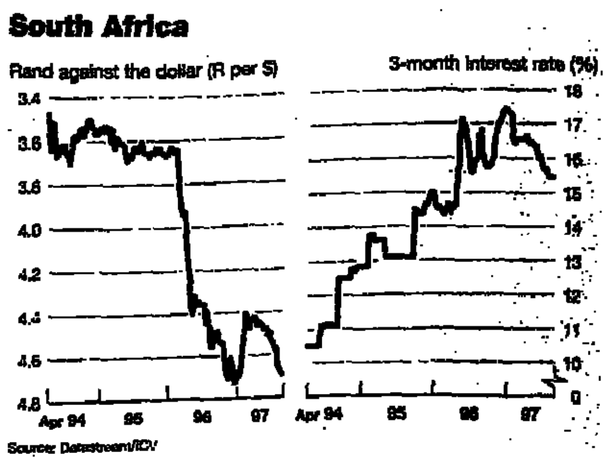
By Mark Ashurst in Johannesburg

The South African Reserve Bank yesterday rejected advice from the International Monetary Fund urging it to withdraw from international currency markets and moderate its defence of the rand.

"We are not going to be forced into decisions by the IMF. They also make mistakes," said Chris Stals, governor of the Reserve Bank. The bank was not prepared to rely on fiscal policy, and in particular its control of interest rates, to regulate fluctuations in the currency.

"If we force the (forward cover) book down, we will have to raise interest rates. We are not prepared to do that at all costs," Mr Stals said in Pretoria yesterday.

Last year, the rand lost 21 per cent of its value against a basket of foreign currencies, and at its weakest point declined by 28 per cent against the dollar.



The rand recovered between November and March, but has experienced renewed volatility in recent months as Mr Stals waged a war of attrition against currency speculators.

The bank shared the IMF's long-term objective of reducing the bank's role in the forward currency market, said Mr Stals. But it would continue to emulate "just about every emerging country" by maintaining "some kind of hedging policy to limit exposure" to foreign currencies.

His comments will encourage hopes of an interest rate cut in the third quarter, following the release of better than expected second quarter economic data this week.

In his annual address to shareholders, Mr Stals said the deficit on the current account had declined from R13bn ($2.7bn) a year ago to R3.5bn in the second quarter.

Foreign capital inflows had recovered from R585m in the first three quarters of last year to R16.7bn in the first half of 1997.

The IMF was nervous about the prospect of a rate cut, and urged the bank to review its exposure in the forward currency markets. It said the current total exposure of about $18bn "raised uncertainties in the foreign exchange markets" and risked heavy losses.

In a report sent to Pretoria this week, after its annual economic study of South Africa was completed last month, the IMF sought "a clear signal that intervention would no longer form a central part of the policy response to possible future pressures in foreign exchange markets".

Chris Stals, South Africa's central bank governor: the IMF also make mistakes

INTERNATIONAL NEWS DIGEST

German olive branch to Iran

Germany said yesterday it wanted to patch up its troubled relations with Iran, four months after a German court ruled that Tehran had ordered the murder of Iranian Kurdish dissidents in Berlin. "After the long pause for thought... we want to slowly re-establish contacts with Iran," Klaus Kinkel, foreign minister, said.

All European Union countries except Greece withdrew their ambassadors from Tehran in the wake of the ruling by a Berlin court that Iran's top leaders had ordered the 1992 assassination of four Kurdish dissidents in a restaurant in the German capital.

Iran, which strongly rejected the court's verdict, has said the EU envoys can return to Tehran but has indicated the German ambassador must be the last, a formula which Bonn has denounced as an attempt to undermine the solidarity of EU partners. Mr Kinkel welcomed remarks by his new Iranian counterpart Kamal Kharrazi, who has said he is ready to meet European Union ministers. He said Bonn would consider how to respond to his comments in consultation with the Luxembourg EU presidency. *Reuters, Bonn*

■ TUNISIAN TOURISM

Earnings up 6.8% last year

Tunisia's earnings from tourism, its main source of hard currency, amounted to 1.413bn dinars ($1.229bn) in 1996, up 6.8 per cent from 1.328bn dinars in 1995, official statistics showed yesterday.

The number of tourists was 3.8m, down 5.7 per cent from 4.1m the previous year, a central bank report said. Visitors from European countries rose 7 per cent to 2.5m from 2.357m, representing 65 per cent of the total. Visitors from Maghreb countries, mainly Algeria and Libya, fell 24.8 per cent to 1.2m from 1.6m. *Reuters, Tunis*

■ ALGERIAN VIOLENCE

64 die in village massacre

Armed attackers killed 64 people in a dawn massacre in Beni Ali, a mountain village 60km south of Algiers, French radio reported. More than 100 people have been killed in Algeria since the weekend in massacres or bombings, all believed to be the work of Islamic militants. The recent upsurge of violence began after the June 5 parliamentary elections. More than 1,000 people have been killed since then. *AP, Paris*

■ RWANDA REFUGEES

Hunt for genocide suspects

The United Nations refugee agency said yesterday it would begin a screening operation for Rwandan Hutus in former Zaire to weed out genuine refugees from those suspected of killing in the genocide more than three years ago. The refugees are among the rump of some 2m Rwandan Hutus who fled in fear of reprisal for the 1994 Hutu-led genocide of Tutsis which left half a million dead.

Spokesman Fernando del Mundo said those suspected of taking part in the genocide would be denied refugee status following interviews with about 17,000 Rwandan Hutus conducted by more than 30 UNHCR lawyers. It is unclear how exactly the refugee agency will separate the guilty from the innocent. *Reuters, Geneva*

Book by businessman son of Sheikh Yamani challenges monarchy's conservative regime

Saudi millionaire calls for reforms and elections

A prominent member of Saudi Arabia's business establishment has made a rare public call for liberal reforms – including elections to the king's advisory Shura Council, more jobs for women and curbs on the religious police. Reuter reports from London.

In a book to be published in Britain in November, the millionaire son of former oil minister Sheikh Ahmed Zaki Yamani states the liberal case for change in the conservative desert kingdom – criticising corruption, reliance on foreigners and excessive religious fundamentalist influence and urging a new emphasis on hard work, openness and self-reliance.

"The final and perhaps most important social responsibility of the government of Saudi Arabia is the fight against corruption," 36-year-old Hani Ahmed Zaki Yamani writes in "To Be A Saudi".

"It must be eradicated from our lives as it is alien to Islam, an enormous source of popular frustration and the platform for most of the political opposition in the country and its regime."

Mr Yamani, a British-educated technocrat with interests in construction, banking and aerospace, is careful to punctuate his comments with statements of support for the al-Saud royal family, crediting its leaders with the creation a modern nation state from a collection of poor desert tribes in less than a century.

His loyalty is in sharp contrast to the outspoken views of exiled Islamist dissidents who want greater religious conservatism and denounce the family for the pro-western aspects of its foreign policy.

Mr Yamani says King Fahd's four-year-old advisory Shura Council should one day be elected. But he also suggests elections should be preceded by several years of modernising education to mitigate tribal influences.

"The next step would be to have the members of the Shura elected directly by the population, therefore enabling them to truly represent the feelings of the majority in an advisory role and in an independent non-partisan manner," he writes.

King Fahd formed the council in December 1993 as Saudi Arabia's first representative body in nearly 60 years. Along with the appointment of regional assemblies in 13 provinces, its establishment was seen as a first step towards giving Saudis more say in running the country.

The 90-member Shura has a purely advisory function. Political parties are banned. Power remains firmly with the al-Saud, whose princes control the kingdom's oil wealth and dominate organs of administration.

Mr Yamani takes a swipe at sloth among the young. He says they must get their hands dirty by accepting unfashionable jobs in industry instead of opting for comfortable but unproductive posts in the well-staffed civil service or judiciary.

"They have very high expectations and they have been spoiled in having all their wishes met without effort or delay...Plentiful and cheap services, the unlimited luxuries, the welfare educational system, the subsidised existence – these have all contributed to soften our youth."

He suggests education must be pragmatic, modern and technical and women must be allowed greater access to jobs and be allowed to drive.

"It is ludicrous that an engineer's degree is dependent on his knowledge of the holy Koran," he writes.

"What a magnificent sight it is to watch thousands of ladies, their hair veiled in Moslem humility, assembling computers in a Malaysian factory. Can we not allow our daughters to be like them?"

King Fahd and his government emphasise raising the number of working women, a goal spelled out in the five-year plan to 2000.

But cultural and religious barriers still exist, and many families frown on working women. A woman is generally expected to give full commitment to her family and home.

Mr Yamani criticises the presence of western troops as wasteful and controversial. He suggests the government lease a fully equipped and manned aircraft carrier based in the Gulf to see off foreign threats and enable foreign forces to be removed from Saudi soil.

He says religious police sometimes commit "excesses" in ensuring residents adhere to strict behavioural norms. Residents regularly complain of incidents of shouting and bullying by over-zealous "mutaween" religious police.

In Saudi Arabia, women must cover their hair in public and wear the long-sleeved black "abaya" cloak.

Argentine beef beats 70-year ban

By Heather Bourbeau and Nancy Dunne in Washington

The first shipment of fresh beef from Argentina to arrive in the US after a 70-year ban could have been better timed.

The cargo, due yesterday, coincided with the arrival of Diego Guelar, Argentina's new ambassador to the US, and it was to be a moment of joyful celebration. Argentina has been pushing for entry into the US market for years.

"If I had to choose a moment [to ship beef], this would not be the one. But people will continue to eat beef," said Jose Molina, agricultural attaché for Argentina.

The US decision to allot an initial 20,000 tonnes quota to Argentine beef comes at a time when US consumption is declining and US prices for beef are low due to recent E. coli outbreaks and scares.

Earlier this month, Hudson Foods, a US food processor, had to recall 25m pounds of beef after E. coli bacteria was found in Hudson beef patties.

On Monday, Burger King, one of Hudson's largest clients, said they would find another source of meat.

Argentine officials will attempt to overcome the mood of the US public. The first 700lb shipment will be sent to the embassy in Washington to be served during promotional events.

Argentine officials stress that their beef is subject to the same standards and disease prevention methods as in the US.

However, it cannot help consumer perceptions that the meat was banned from the US because of foot and mouth disease, no matter how much assurance is being given that the disease has been virtually eradicated.

Since 1927 Argentina has only been allowed to ship cooked beef products to the US.

Following bilateral Gatt negotiations, the two countries signed a sanitary agreement, which loosened tight US restrictions.

Previously, the US has a "zero-risk" sanitary evaluation policy, which the Argentinians considered unrealistic. Now the US policy evaluates the "minimal risk" of disease infecting beef during shipment.

The first shipment of 20,000 metric tonnes of fresh beef is considered symbolic. Ambassador Guelar expressed his optimism: "We have positive expectations that the initial quota will increase and that it will be *à la mode* to eat Argentinian beef."

● Foodmakers will face fines of more than $100,000 a day if the Clinton administration revises its earlier requests to Congress and calls for stronger federal power to remove tainted meat from the market, Reuters reports from Washington.

Agriculture Department officials yesterday declined to discuss details of a new meat safety bill that the agriculture secretary, Dan Glickman, indicated would be submitted to Congress next week.

Mr Glickman said government should have the authority to mandate recalls of meat – they now are voluntary – and to impose penalties for violations.

Japanese to fund Suez canal bridge

$100m aid granted to help develop Sinai region despite Mideast peace doubts

By Mark Huband in Cairo

Japan has agreed to provide $100m in grant aid for the construction of a $160m bridge across the Suez canal in spite of uncertainty over the Middle East peace process and the region's future economic integration.

The 2.4 mile suspension bridge will be 49.5 metres high to allow the tallest of ships to continue using the canal. A total of 1,262 ships used the canal in May, earning the Egyptian government $162m in fees, according to official figures. The Egyptian government will provide the remaining $60m for the bridge project.

"Japan agreed to extend this money when things were going well in terms of the [Oslo] peace agreement," said Mitsuo Sabaka, chargé d'affaires at the Japanese embassy in Cairo, yesterday. "We expected that the bridge could contribute to the exchange of people and goods in the region. So one important consideration with regard to this bridge project was as a part of our support for peace in the region. But then Netanyahu came along, and unfortunately the process is at a stalemate," he said, referring to the Israeli prime minister, who is visiting Japan.

The Suez canal: Japan was convinced by hopes of regional integration of the need for the new crossing

Construction of the four-lane bridge will begin next year and take 42 months at a site 29 miles south of Port Said. Japanese finance will be used to build the main middle section and part of the approaches, for which Japanese companies will be contracted. Two Egyptian public sector companies have also been awarded contracts to assist in construction of the approaches.

The project is part of the Egyptian government's long-term strategy to develop industry and relocate population to the northern Sinai desert. The strategy is based on estimates of 3.2m people living in the northern Sinai by 2017. A 1986 census, the most recent available, revealed that only 171,500 people live in the area.

Estimates for increased cross-canal traffic in the next 25 years anticipate a tripling in capacity to around 60,000 vehicles per day. At present North Sinai is served by ferries, while roads to the south pass through the Ahmed Hamdi tunnel north of Suez.

Egypt asked for Japanese assistance for the project in 1995, during a visit by Egypt's President Hosni Mubarak to Japan. Japanese technical experts were doubtful about the viability of Egyptian plans to establish industry and develop mineral resources in the North Sinai, but looked favourably at plans to irrigate 400,000 acres of land for agriculture.

"Our experts were not convinced 100 per cent about all the aspects of the [Egyptian government's] Sinai project," Mr Sabaka admitted. But he stressed that hopes of future regional economic integration convinced Japan of the need for the bridge.

Japanese and Koreans in mobile phone venture

By Michiyo Nakamoto in Tokyo

DDI and IDO, two Japanese telecoms companies, have agreed a tie-up with South Korea's Shinsegi Telecom to promote CDMA mobile phone technology.

The three companies have agreed to share technical information, operations know-how and marketing information on CDMA – or code division multiple access – technology developed by Qualcomm of the US.

They will also co-operate in the research and development of an advanced version of the standard, including multimedia functions, as well as start roaming services in Japan and South Korea by 2002 when the two countries will co-host the soccer World Cup.

The agreement between DDI, IDO and Shinsegi is expected to intensify competition between the various camps seeking to set the standard for next generation digital mobile phone technology.

The CDMA camp, which includes DDI, IDO, Shinsegi and Qualcomm, which has a 2.46 per cent stake in Shinsegi, has already signed up about 4.5m subscribers in the US, Canada, South Korea, Hong Kong and others.

When DDI and IDO introduce CDMA-based services next spring, the number of subscribers worldwide should increase.

A second group of operators, led by NTT Docomo, Japan's leading mobile phone company, which has about 50 per cent of the Japanese market, and including South Korea's SK Telecom, also a leading operator in that country, plan to start services using wide-band CDMA, developed under the leadership of Docomo and planned to be developed commercially in 2000.

Meanwhile, a group of European companies have been supporting an advanced version of GSM, the European standard. However, Europe's leading telecoms equipment manufacturers Ericsson and Nokia have expressed their support for the wide-band CDMA technology proposed by NTT Docomo.

The International Telecommunications Union is expected to recommend a global standard in 1999 which would allow users to take a single handset and use it anywhere in the world.

"The stakes are high," notes Mr Toshiaki Iba, senior analyst at ING Barings in Tokyo. The mobile phone market has grown into a huge global market and many countries face a need to upgrade to advanced digital technology due to the growing lack of radio wave frequencies.

In such countries as Japan where mobile phone use has spread rapidly, the authorities are concerned that if the market continues to grow at its current pace, frequencies could run out as early as 2000.

China pledges to expand trade with South Korea

By Jason Neely in Seoul

China has undertaken to expand its flourishing trade ties with South Korea, pledging to lower tariffs on more than 1,500 items and abolish several non-tariff barriers, a South Korean spokesman said yesterday.

Beijing's vice minister of foreign trade and economic co-operation, Long Yongtzu, has agreed to lower tariffs on 1,584 South Korean imports, a foreign ministry spokesman, Lee Kyu-hyung, said.

Mr Lee said Beijing planned to reduce the tariffs on South Korean imports by an average of 57 per cent within seven years of gaining entry into the World Trade Organisation (WTO).

Non-tariff barriers such as import permits and quotas will be lifted on some of South Korea's main exports, including cars, motorcycles, tyres, and radio and television components.

Exports linked to South Korea's growing construction investment in China such as concrete mixers and fibre optic cables will also gain easier access, Yonhap News Agency reported.

China made the pledges in a memorandum of understanding signed between Mr Long and Lee Tae-shik, director general of the South Korean foreign ministry's international trade bureau.

The deal comes as Beijing prepares its bid to enter the WTO and less than a week after Li Peng, the Chinese prime minister, called on Asian nations to create "a fair and just new international political and economic order".

Two-way trade between China and South Korea has jumped 35 per cent a year since the two normalised diplomatic relations in 1992, changing the economic map of east Asia, where China had formerly favoured trade with North Korea.

South Korea is now China's fourth largest trading partner, while China is Seoul's third biggest trade partner.

Xinhua News Agency recently reported their annual two-way trade had increased from $4.4bn to $19.9bn. South Korean exports have led this growth, soaring from $1bn in 1991 to $11.4bn last year.

South Korea has also become the second largest investor in China, with 2,876 projects representing $2.66bn in direct business investment at the end of last year.

Mexican city asks whether US business will continue to boost its trade as crime wave spreads

Drug killings imperil border boom

When two men walked into a restaurant in the Mexican town of Ciudad Juárez, hardly anyone gave them a second look. Unobtrusively, they made their way to the washroom. There, they pulled out their concealed weapons and burst back into the main room, guns blazing.

Six people died in the hail of bullets: Alfonso Corral, allegedly a drug lord's right-hand man and target of the attack; Teresa Herrera, his girlfriend for the night; two other men; and a young couple with the misfortune to be seated behind the other victims.

The assault earlier this month was Mexico's worst recent incident of drug-related violence.

But it is also an example of the crime wave engulfing Ciudad Juárez, a booming industrial town perched on the frontier with the US. In three decades, surging cross-border trade has transformed Juárez from an arid wasteland into one of the richest cities in Mexico.

The mounting crime, however, has begun to make industrialists fear that Juárez's phenomenal growth rates will falter amid the drug-trafficking, gang warfare and difficult living conditions.

Few cities can equal Juárez's record of expansion. In the 1980s, it doubled in size. In the 1990s, when most of Mexico reeled from the peso devaluation, Juárez prospered all the more.

Today, the huddle of bars, strip joints and cheap dental clinics that greets the traveller off the bridge from El Paso, Texas, runs into a 1.2m-strong city complete with eight-lane freeways and industrial landscapes without end.

The motor of growth has been the *maquiladoras*, the partially tax-exempt assembly plants that have proliferated along the border since the mid-1960s.

In Juárez, where they specialise in car parts and electronic components, they have taken off like nowhere else. The 282 plants export goods worth $8bn a year – though almost all of the components come from outside the country – and employ fifth of the entire population.

The number of *maquiladora* jobs in Juárez, paying on average $1.36 an hour, is growing by more than 10 per cent a year.

"Nothing can beat the combination of low wages and a border with the US only a few blocks away," said Sergio Bermúdez, the head of Grupo Bermúdez, a company that houses a third of the city's *maquiladoras* in its industrial parks.

But the rise in violence has created doubts about the future of the city's boom. "The authorities have been overwhelmed. If Juárez's security crisis is not dealt with, our growth will certainly be affected," said Nora Elena Yu, head of the city's Chamber of Commerce.

To date, the increase in lawlessness has proved unstoppable.

For years Juárez was well established as the main despatch point for the cartel run by Amado Carrillo, the country's biggest drug-trafficker. The city grew in importance as Mr Carrillo poached business from Colombian cartels and became a logical place for the settling of old scores after Mr Carrillo's sudden death following liposuction and plastic surgery in early July.

The most recent drug-related killing appears to have been the strangling of four doctors in Juárez last weekend by a cartel hitman, apparently after he had been treated by them for gunshot wounds.

This week Barry McCaffrey, President Clinton's adviser on drug policy, has been visiting the border area in an attempt to co-ordinate with local authorities a response to the growing problem.

An increase in local drug use and the appearance of many small-scale local traffickers in Juárez have also added to delinquency.

Over the past two years, the reported number of federal crimes – mostly drug offences – in Juárez has jumped from 60 a month to 278 a month. At the same time, youth gangs, an unwanted import from the US, have also surged, bringing with them an increase in robberies and assaults.

The mayor, Ramón Galindo, complains that he is unable to pay his police enough to keep them from taking the narcos' money as well. "What can we do?" he said. "We are facing an enemy that has more resources than us, more men than us and better weapons than us."

Heading north: traffic in Juárez queues at the bridge across the border to the US

However, the foreign businessmen who usually run the *maquiladoras'* operations have yet to be directly affected by the crime wave. Most *maquiladora* managers cross the border early, to be at the factory by 7am and hurry back across the bridge to the US by mid-afternoon, so keeping themselves out of danger. Even those who stay in Juárez to play a few holes of golf can be on the other side of the border long before sundown.

But present in many industrialists' minds is a precedent from the city of Tijuana, 700 miles to the west and like Juárez, a major *maquiladora* centre. Last year, Mamoru Konno, the manager of a Sanyo subsidiary, was kidnapped and released only after a $2m ransom was paid. His capture sent shockwaves down the border, although Tijuana's growth has remained strong.

"The moment the *maquiladoras'* operations are affected by crime – that is when it is going to make a difference to investment," said Mr Bermúdez.

Despite the city's swelling preoccupation with lawlessness, perhaps the most remarkable thing about Juárez is that it is continuing to grow. Unemployment is only 1.75 per cent, almost all of the *maquiladoras* display "help wanted" signs and building work is continuing.

"The big surprise is that the *maquiladoras* are still so strong in Juárez," said Lucinda Vargas, an economist with the El Paso branch of the Dallas Federal Reserve Bank. "They are even incorporating more and more research and development facilities, to complement their assembly operations."

How long, however, such dynamism can survive the robberies and murders brought about by the drug industry, remains the question none of the city's citizens can answer.

Daniel Dombey

Christian right urges sanctions on persecutors

By Leslie Crawford in Washington

The Christian Coalition, the conservative lobby group founded by Pat Robertson, the TV evangelist, yesterday urged Congress to pass a law that would impose trade sanctions against countries which persecute religious minorities.

The coalition has persuaded two Republicans, Representative Frank Wolf from Virginia and Senator Arlen Specter from Pennsylvania, to sponsor a bill which would create a White House office for reporting religious persecution worldwide and impose sanctions on foreign governments that hamper religious freedom.

The coalition hopes the Freedom from Religious Persecution Act will get its first hearing during the next session of the Republican-controlled Congress, which reconvenes next Wednesday.

The campaign appears timed to embarrass the Clinton administration's open trade policies with China. The State Department, which monitors human and religious rights violations worldwide, has documented the persecution of Catholics and Protestants in China but its reports have had little bearing on US trade policy.

"US inaction on this subject is a disgrace," Don Hodel, president of Christian Coalition, said yesterday. As well as China, he accused Sudan, Saudi Arabia, Iran and Iraq of hampering religious expression.

Mr Hodel, a cabinet minister during Ronald Reagan's presidency, urged President Bill Clinton to "set aside single-minded pursuit of profits, reset our moral compass and lead the way for the rest of the world".

The drive for a religious freedom act is likely to prove as divisive an issue for the Republican party as it is awkward for the Clinton administration. Recent trade laws such as the Helms-Burton Act, which penalises some foreign investments in Cuba, have drawn widespread international condemnation for what is seen as unwarranted US interference in the affairs of other nations. The Republican party is already split between free-traders and social conservatives who do not want trade at any price.

Some observers see the Christian Coalition's campaign to draw religious issues into US trade policy debate as an attempt by religious conservatives to recoup some of the influence they have lost since the Republican party lost the presidency in 1992.

Mr Robertson, who campaigned unsuccessfully for the Republican nomination in 1987, has attacked the current Republican leadership for being "uninterested in moral issues".

Following Bob Dole's defeat in last year's presidential race, Mr Robertson has vowed to regroup conservative religious movements across the US and target conservative Republicans to further their interests in Congress.

Consumer confidence bounces back in US

By Nancy Dunne in Washington

US consumer confidence rebounded in August, signalling a healthy economy for the rest of the year.

At the same time durable goods orders, as reported by the Commerce Department, slipped by 0.6 per cent for July, but most of the decline was due to weakness in the aircraft and electronics sectors.

Aircraft sales are particularly volatile, and electronics, fluctuating wildly in recent months, dropped to its lowest level of the year as a result of a softening of orders for communications equipment.

The durable goods report was weaker than predicted, although economists had expected that strong inventories accumulated in the first half of the year would begin to slow orders.

The Conference Board, the New York-based business group which produces the consumer confidence index, said the number of Americans rating current business conditions as "good" and jobs as plentiful rose from 36 per cent last month to 38 per cent in August. They were also more upbeat about the future.

The board said its index of consumer confidence, based on a survey of 5,000 households, rose to 129.1 in August after slipping to 126.3 in July.

The expectations component of the index, which has proved to be a key measure of future business activity, rose to 109.8 from a revised 107.6 in July.

"Consumer optimism about short- and long-term conditions points to a continuation of current business environment – low unemployment and only minimal inflationary pressures," said Lynn Franco of The Conference Board.

EcoFax, the analysis produced by Deutsche Morgan Grenfell, went further. The percentage of those surveyed saying jobs were plentiful is at a record high, supporting its forecast that unemployment will decline.

Stan Shipley, senior economist at Merrill Lynch, said consumer confidence tended to be a "leading indicator" for the economy. However, inventories had grown too far, which would slow growth for a while.

This will discourage the Federal Reserve from raising interest rates, he said. "That's why the stock markets have been comparatively happy. They had it figured before most of the economists."

International Strategy & Investment, which produces an index measuring current economic strength, said the economy had strengthened in the third quarter.

"Lower inflation appears to be lifting real purchasing power," said Jason Trennert, the group's vice president.

Mexican opposition flexes its muscles

By Daniel Dombey in Mexico City

Less than a week before President Ernesto Zedillo delivers his annual state of the union address, Mexico's opposition parties are hardening demands to change the format of the speech.

Leaders of the opposition bloc this week issued an unprecedented ultimatum that the president either be present when leaders of other parties respond to his address, or deliver his speech in written form.

The opposition bloc, which between its four ideologically diverse parties will command a slender majority in the House of Deputies, was formed earlier this month and aims to co-ordinate tactics on procedural issues rather than substantive policies.

The ruling Institutional Revolutionary party (PRI) has challenged the legality of any changes to the format of the speech but is currently in talks with opposition leaders. The president's office has made it known Mr Zedillo will abide by any agreements to change the nature of his speech.

The state of the union address has in the past been an occasion of baroque ceremonial, confirming the president's position as the Mexican government's supreme arbiter. The speech has occasioned large parades and the president appearing on the balcony of the National Palace. It is traditional for people not to work on that day.

In recent years, opposition leaders have been allowed to reply to the address, but their speeches have only been permitted once the president has left the legislature. Now the spectacle of the president waiting for others to decide his actions is something of a novelty.

The development comes as part of a growing debate about the relationship between the presidency and the country's traditionally subservient Congress in the wake of the PRI's first Congressional defeat in elections this July.

● Mexico's leftwing Party of the Democratic Revolution this week showed its eagerness to create a new impression of itself as a sober force of government by meeting representatives of the World Bank, once the object of much of its anger.

Power cut halts Venezuelan industry

By Raymond Colitt in Caracas

A nationwide power failure halted Venezuelan industry and public transport on Monday night and yesterday, causing widespread panic.

The black-out, which began on Monday at 5.30pm local time, was caused by a transmission line failure at the massive El Guri hydro-electric plant in south-eastern Venezuela.

El Guri is the world's second largest hydroelectric plant and is owned and operated by the state-owned electricity company Electrificación del Caroni (Edelca), which supplies about 70 per cent of the country's energy. The failure was apparently caused by an explosion of a transformer and affected the national interconnected transmission system.

Erwin Arrieta, minister of energy and mining, said the incident was not due to human error. Edelca said it was still investigating.

Venezuelans throughout the country were stranded. In office buildings lifts stuck. On the underground railway trains were halted. Hundreds of passengers had to be evacuated by local police and fire fighters.

Though the country's heavy industry in the south-eastern Guayana region was apparently not affected, countless businesses and manufacturing companies running late shifts were forced to shut down. Losses are estimated in the tens of millions of dollars.

Salomon Magan, operations manager of Electricidad de Caracas, the largest private sector utility, told Radio Caracas his company would not be held liable for damage to electronic equipment or any other losses. "Edelca should answer to any demands," he said.

Damage to water pumps in the Caracas underground railway led to widespread flooding and to suspension of services during yesterday's morning rush hour.

Critics have repeatedly pointed out that Venezuela's cash-strapped power companies, especially the public ones, are not spending enough on maintenance. Industry representatives say electricity rates are too low.

Deloitte chairman says firms should be free to voice concerns to successors

Auditor calls for legal protection

By Jim Kelly
Accountancy Correspondent

Auditors who drop clients should have legal protection so that they can fully voice their concerns to shareholders, regulators and their successors, a leading auditor said yesterday.

Mr Martin Scicluna, chairman of Deloitte & Touche, one of the UK's "Big Six" accountancy firms, yesterday called on the government to give auditors statutory protection for such statements. He said there was a need for reforms to allow "open discussions between audit firms" and to provide protection for statements made by auditors who resigned or stepped down by not seeking re-election.

"Auditors resigning in such circumstances do not have any statutory protection for what they may say in good faith to a potential successor auditor or for any resignation statement that they may make," he said.

The Big Six firms are increasingly resorting to dropping clients they judge to be high risk. In the past, critics have suspected that they failed to be tough enough with clients because they wanted to keep the fees.

Several of the bigger firms now have in place complex risk management procedures designed to weed out risky clients so that auditors are not exposed to legal suits if the companies subsequently run into financial trouble.

Audit firms swap so-called "etiquette letters" when one firm stands down and another is ear-marked to take over. If there are material concerns, the new auditor should be informed. Auditors should also make a statement to Companies House, the official archive to which companies are required to submit information. None of these statements are covered by any special legal protection.

Auditors feel they can express specific concerns but fear that if they express general, but unprovable, worries they may face legal action from directors or actions for damages – especially if the share price falls.

Mr Scicluna added that if open discussions lead to the possibility of some companies finding it difficult to enlist a reputable auditor, then the leverage of the profession would be greatly strengthened.

Mr Tim Pope, head of professional standards at Coopers & Lybrand, said: "This issue is separate from the wider one of auditors' liability. This is specifically about communications with shareholders and what serves the wider public interests.

"There is room for a review of statutory protection. But unless that protection was very wide, auditors would still have to make a judgment in each case."

Minister to visit volcano colony

By David Wighton,
Political Correspondent

Clare Short, the chief minister for international development, yesterday sought to repair her relations with Montserrat by announcing that George Foulkes, her deputy minister, will visit the stricken Caribbean island on Sunday.

Mr Foulkes will view the damage caused by the volcano on the island, a British colony, and hold talks with the government of neighbouring Antigua, which has had to cope with a big influx of Montserratians.

Ms Short had earlier warned that Mr Foulkes might not make the trip to see the damage caused by the eruption because of what she considered the Montserrat government's confrontational attitude. But, confirming Mr Foulkes' visit, she said: "I am pleased that the chief minister of Montserrat has now said that this visit will be welcome." Her move followed the first meeting of an interdepartmental committee set up to co-ordinate the UK government's response to the crisis.

After the meeting, Robin Cook, the foreign secretary, sought to reassure the remaining 5,000 inhabitants that the UK government would provide investment to enable them to stay in the safer north of the island.

Ms Short provoked an angry reaction in Montserrat two weeks ago when she announced a package of financial support for those inhabitants wishing to leave. Montserrat politicians immediately criticised the package as inadequate. But at the same time they accused Ms Short of trying to persuade islanders to leave to relieve Britain of the financial burden of building the necessary infrastructure in the north.

Foreign Office officials said yesterday's inter-departmental meeting focused on the need for more homes, schools and hospital facilities in the north. Proposals to build an airstrip would also be investigated.

Mr Cook offered some defence of Ms Short's handling of the crisis, which has been criticised by government backbenchers as well as opposition parties.

Mr David Brandt, Montserrat's chief minister, gave a guarded welcome to Mr Foulkes' visit.

Press Association
Eluned Morgan, a Welsh member of the European parliament (right), helps unveil a "Yes for Wales" pro-devolution poster

Scottish tax powers defended

By James Buxton,
Scottish Correspondent

Donald Dewar, the chief minister for Scotland, yesterday strongly defended the fiscal powers proposed for a Scottish parliament, stating it was "inconceivable" such a parliament would want to act to disadvantage the Scottish business community.

Last week Sir Bruce Pattullo, governor of the Bank of Scotland, attacked the proposal to give the parliament power to raise an extra 3 pence in the pound on income tax in Scotland. People in Scotland vote on September 11 on whether they want a parliament and whether it should have tax-varying powers.

The Confederation of British Industry in Scotland, the employers' organisation, and Scottish Financial Enterprise, which represents the financial sector, fear the Scottish parliament might end the uniform business rate (the municipal tax on businesses) that exists between England and Scotland and allow councils to set their own business rates. They have also warned against raising taxes.

Mr Dewar said that if Labour held power in the new body it would not use the tax-raising powers during the lifetime of the present UK government. The parliament would have no power to tax savings or dividend income, or to touch corporation tax.

The Scottish parliament, he said, would inherit Westminster's power over local taxation. According to last month's government plan for the Scottish parliament, it would be able to alter the form of the council tax or replace it altogether, and decide whether to keep the non-domestic rate poundage within its own control or devolve it to local councils.

Mr Dewar said this did not necessarily mean business rates would be localised. "We have made clear in the white paper that if the Scottish parliament were to propose this in the future, they should consult business interests first."

He said devolution would not disturb the "present level competitive playing field" for business in the UK. But, he said, "if we can tilt the balance just a little bit in Scotland's favour, not by any underhand methods but simply by getting our act together, I for one would be all in favour of that."

For example, the Scottish parliament would have greater flexibility than the Scottish Office has in granting financial assistance to industry. Schemes could be tailored to Scottish circumstances, in consultation with other UK government departments.

N Ireland promotes call centres

By John Murray Brown
in Belfast

British Telecommunications and the Northern Ireland Industrial Development Board are marketing the region in the US as a call centre location, highlighting its special rates for long term contracts, volume discounts and free lines.

At the same time, Stream International, a merger between Corporate Software and RR Donnelly of Chicago, is looking at setting up a pan-European service operation in Northern Ireland. The company already employs around 200 people outside Londonderry, the second-largest city in Northern Ireland. The operation there provides on-line PC based software support for corporate clients.

Telephone-based service investments are growing throughout Europe as companies use improvements in telecommunications infrastructure to move labour-intensive back office and marketing operations to more remote locations.

The sector is expected to create 100,000 jobs between now and the millennium, according to a European Commission discussion paper, in addition to the 150,000 existing.

The UK now has 4,000 call centres, two-thirds of the European total, earning Ecu450m ($481.50m) revenues in 1996, according to the report.

BT now has four call centres in Northern Ireland, running billing and fault inquiries for its own users, in addition to providing Cellnet with services.

The company is soon to create 750 jobs at a telephone based sales office in Northern Ireland, almost doubling the numbers the the former state utility employs in the region. BT is investing £9m ($14.6m) in the Belfast centre, with £4.5m of that provided by the Industrial Development Board.

BT's new Belfast operation will be the first time the company has offered to provide services on a contract basis for other customers in areas such as new product launches.

The IDB is confident it can capitalise on the labour constraints facing the sector in the Irish Republic, as Dublin-based companies advertise in Northern Ireland newspapers for staff.

In another sign of the intense competition in the sector the IDB broke with tradition this year, investing £2.5m in a purpose built services centre in the Springvale Business Park in west Belfast.

This is the first time the board has invested in a factory without first identifying a client.

Steep rise in fees worries boards

The revelation this month that professional fees for UK public takeovers have continued to soar during the first half of 1997 after record levels last year, has sparked concern that UK corporates are faced with a return to the excesses of the 1980s.

The recession of the early 1990s changed the marketplace, enabling companies to wield greater influence on the professional services they purchased.

The big issue for many boardrooms is how to structure fees to make sure they reward performance, not the scale of the deal. "There is a lot of interest in the boardroom in novel ways of rewarding people," says one finance director of a leading company. "In the past we were caught in relationships – especially with merchant banks – and in some cases they were coining it in."

There is concern at the rising level of fees, but it is widely seen as reflecting the market in scarce skills. "There is an upward escalation – perhaps 10 per cent a year – but there is a tremendous shortage in the key areas," says one experienced non-executive director.

Law firms agree companies have become more sophisticated in buying services.

"There are certain areas of work, such as securitisation, where you are basically selling financial products, where fees are highly competitive and law firms do compete on price. But fees are generally not an issue any more," says one partner of a City law firm.

Peter Coleman, the former legal director of Grand Metropolitan Estates who runs ICM, believes fees are now a straightforward issue. ICM is a legal consultancy dedicated to advising companies on organising their in-house legal departments and managing relationships with external legal advisers.

"It's not the amount, but what you get for your money that's important," he says. "With big ticket transactions, companies tend to overlook the fees. The expectation is that big deals carry big fees. The key is to know what you are spending and why. There is far too much emotion generated about costs and too little attention paid to how costs are driven."

Ian Terry, managing partner of Freshfields, the UK-based international law firm, accepts that lawyers across the City and in New York have had a good year. "People are working prodigious hours. So it's not that they are doing the same amount of work and pricing has softened," Mr Terry says. "Clients have become much more sophisticated at supervising deals and rightly expect value for money."

"The no deal, no fee scenario is becoming more common – depending on the size of the deal," said one company director. "What is getting rarer is the £250,000 just to start work."

Robert Rice
Jim Kelly

UK NEWS DIGEST

Ex-minister to head City group

Angela Knight, a Treasury minister in the Conservative government ousted in the May general election, is to become chief executive of the Association of Private Client Investment Managers and Stockbrokers (Apcims) next month.

Mrs Knight said rumours in the trade press that she would be paid £150,000 ($244,500) a year were "fairly over the top". But the appointment is likely to revive controversy about government ministers taking private sector jobs soon after they leave office. "I have consulted the Cabinet Office Committee of Approval for Business Appointments and the appointment is subject to their clearance. You could argue I did not need to consult them but it is clearly the right thing to do," she said. But she did "not anticipate any difficulty" with this clearance.

Stockbrokers greeted the news of Mrs Knight's appointment as something of a coup for their trade body. "Her political ability means she should be able to meld together the different parts of the [stockbroking] industry, including the dinosaurs and the avant garde brokers," one leading broker said.

Apcims has had a relatively low profile since it was formed in 1990. It has 128 member firms, representing nearly 90 per cent of the private stockbroking industry. But private investors are widely perceived as having lost out to the lobbying might of institutional investors over issues such as the charging structure for electronic settlement and investors' access to new issues. "The association is looking to lobby more robustly on behalf of its members," said Michael Read, Apcims' chairman. Mrs Knight's priorities will be the role of stockbrokers in the new financial services regulator and the planned government-bonds settlement system. *Jean Eaglesham*

■ PHARMACEUTICALS

Over-the-counter drugs restricted

The government yesterday cut the size of packs in which both paracetamol and aspirin can be sold and shifted terfenadine, the anti-hay fever preparation, to sales only under doctor's prescriptions.

The first move should dramatically reduce "plea for help" overdoses which contribute to the 30,000-40,000 hospital referrals for paracetamol poisoning each year and result in 100 to 150 deaths. Aspirin overdoses cause 5,000 admissions and 60 deaths, according to officials from the Medicine Control Agency.

The second move follows evidence that terfenadine, when misused, can cause abnormal heart rhythms which have been linked to 15 deaths since the product was launched in 1982. The UK decision to the put product on prescription-only status may be followed by the rest of Europe. Hoechst Marion Roussel, which makes the market leader Triludan, said over-the-counter sales had already been "virtually wiped out" since the government announced in April that it was considering making the drug prescription-only. *Nicholas Timmins*

■ FORMULA ONE

Teams plan charges for interviews

Formula One grand prix motor racing teams are drawing up plans to charge newspapers fixed fees for access by journalists to their drivers, managers and other racing information.

Their action is in response to moves by newspaper groups – including the Financial Times – to charge licence fees to companies copying and circulating newspaper cuttings internally to employees. The Newspaper Licensing Agency, representing a growing number of publications, is seeking to introduce the licensing arrangements across much of UK business, on the grounds that internal copying is depriving its members of newspaper sales. The agency's approach to Formula One teams, which typically employ 200-300 people, has infuriated owners and managers. Stephen Greenway, legal adviser to reigning world champion team Williams-Renault, has rejected the licensing approach as "objectionable" in a letter to Tarif Chowdhury, licensing executive of the agency. Legal advisers to Arrows, the team owned by the TWR engineering group which employs reigning world champion Damon Hill, have responded in similar terms. *John Griffiths*

■ OIL SPILL

Production stops for investigation

Production from a new North Sea oilfield will halt while experts investigate the cause of a spill which covered several square kilometres of sea. Up to 150 tonnes of an oil and water mixture were spilled early on Monday. Texaco said last night the spill was dispersing rapidly and was now reduced to a "sheen" comprising about four tonnes of oil broken into small patches. But production in the Captain field would remain halted while experts from Texaco and the UK government investigated the spill. The field only came on-stream in March.

Norwegian oil, Page 18

■ E.COLI SCARE

Catering company forced to close

A catering company at the centre of an e.coli scare which has left 12 people ill was ordered yesterday to close by magistrates in the English Midlands city of Birmingham. They heard evidence from a local government health officer, who described parts of the company's premises as "filthy". They were satisfied that the business, Hamza Valley, posed a "significant risk to injury to health". The order will last while problems at the premises are dealt with. An official said Mohammed Perveez, owner of the company, had co-operated fully with health officers. Two children, a boy and a girl aged four, struck down with the e.coli infection were yesterday said to be "stable" in a city hospital. It is believed the outbreak originated in infected lamb at a wedding reception.

■ OBITUARY: EPHRAIM MARGULIES

Commodities trader dies aged 72

Ephraim Margulies, the former commodities trader who once controlled Britain's biggest sugar producer, has died aged 72. Margulies also played a role in the Guinness share support operation during the drinks group's successful takeover bid for Distillers in 1986. He was never prosecuted.

Margulies abruptly resigned in 1990 after 12 years as chairman of Berisford International – formerly S&W Berisford – under pressure from institutional shareholders after heavy losses in an ill-starred diversification into US property. "Marg" – as he was universally known – was the son of Jewish immigrants from Poland. He traded in groceries while still at school in London's East End.

In 1982, Berisford was cleared after a lengthy Monopolies and Mergers Commission inquiry to buy British Sugar Corporation, the beet processor which – along with Tate & Lyle, its cane-based rival – dominated the UK market. But commodity markets, which had bankrolled Berisford's expansion, had turned against the company. By the mid 1980s, it was attracting predators such as Tate, Ferruzzi, Hillsdown Holdings and Associated British Foods.

Early in 1987, Margulies publicly admitted that a Berisford subsidiary held 2.8m Guinness shares bought during and after the Distillers bid. Guinness had paid Berisford nearly £1.5m for what the invoice described as "work in connection with the acquisition of Distillers". The money was later returned.

Revolutionaries survive history's long march

British Communists, always among the world's least influential, insist that the struggle is not over

The spirit of Marx, Engels and Lenin is alive and well and living in an unfashionable part of the north London district of Islington. Or so we are asked to believe by John Haylett, editor of the Morning Star, newspaper of the Communist Party of Britain.

"I think, and not for the first time, that it would be premature to write an obituary of the Communist party," says 51-year-old Mr Haylett, a card-carrying member of the party since the age of 18. With his grey beard, grey short-sleeved shirt and grey trousers, Mr Haylett sees himself in the engine room of unwavering revolutionary struggle. Nearby, fellow Star journalists – who earn no more or less than Mr Haylett – beaver away under a painting depicting striking dockers being arrested in the 1940s.

A short bus ride to a smarter part of Islington will would take the traveller to the headquarters of the remnant of the Eurocommunists, who in the late 1980's decided they had enough of Soviet-led orthodoxy before renaming themselves the Democratic Left.

In the Star offices, lost causes loom large. There is a poster about the International Brigades (on the losing side in the Spanish civil war) and a "roll of honour" of 200 British coalmines – all shut in spite of the miners' strike in the early 1980s.

"In history there all kinds of advances and setbacks," insists Mr Haylett. Recent history has included Mr Haylett and his comrades emerging bloodied and battle-weary from an internal struggle to maintain the Morning Star – and the People's Press Printing Society, the co-operative that owns it – as the heart and soul of Marxist-Leninist orthodoxy in the UK.

The CPB has advanced very slowly since it was formed at a special re-establishment congress in 1988. The move came from a hard-line faction opposed to the "revisionist" attitudes of the Labour party and the Eurocommunists, who became the Democratic Left. "The Democratic Left is not a political party – it's a network of discussion groups," Mr Haylett says scornfully.

The CPB's membership today is 1,200 – most of them entitled to draw old-age pensions – and less than a quarter of the membership of the original Communist Party of Great Britain when it was formed in 1920. At the last general election the CPB called for a Labour government, but its own three candidates fared little better than those standing for bizarre fringe groups.

The Morning Star claims a circulation of 7,000, while keeping afloat with a monthly "fighting fund" of £15,000 paid out of voluntary contributions. Gone are the days when a regular injection of capital arrived from Moscow.

So where does Mr Haylett's unshakable faith in the future stem from? In part, it lies in his conviction that the CPB has to be judged as part of a wider historical movement towards socialism, nibbling at the edges of the Labour government and gradually raising its voice now that the Conservatives have been defeated.

"The movement as a whole does not accept the agenda of those like Tony Blair [prime minister] . . . who are seeking to turn the Labour party into a pale imitation of the US Democratic party," declares Mr Haylett.

The movement, it appears, is bigger than some might think – according to Mr Haylett it extends from the trade unions to unnamed members of Mr Blair's cabinet who have not lost sight of their "socialist traditions".

Mr Haylett's perception of international politics also fuels his optimism. "There are Communists in government in India, South Africa, Nepal, France, Italy . . . and in Russia the Communist party still has the highest membership."

Jimmy Burns

ARTS

Television/**Christopher Dunkley**

Navel-gazing in Edinburgh

Film festivals show lots of films, and theatre festivals mount plays, but the Edinburgh Television Festival has always consisted of talk. In the morning, afternoon, and evening the participants fill Edinburgh's Royal College of Physicians, the General Assembly Hall, the BBC Concert Hall, and other venues, for formally structured discussions. Then at lunchtime, and all night, they switch to the bar of The George and bawl at one another across bottles of Moet or Beck's, the neck held daintily between finger and thumb. On the move between lecture hall and bar they talk on their mobiles to their contacts in London or, if desperate, to their mothers. In bed they continue to talk to one another or, as a last resort, to themselves.

That is the tradition, which is now 22-years-old. But the best thing about the 1997 event was a trio of sneak previews. We saw the first half of the opening episode of *Fitz*, the American version of *Cracker*, British commercial television's biggest export coup for years. Judging by these 50 minutes, the fascinating and infuriating idiosyncracies of the British Fitz, so memorably embodied on ITV by Robbie Coltrane – overweight, non driver, compulsive drinker, smoker, gambler, and womaniser, but brilliant criminal psychologist – have been sadly minimised to suit the political correctness of the US. He becomes a typical American oddball genius who, though untidy and occasionally irritating, is notably slim and loveable. His main eccentricity is playing Samuel Barber and Edward Elgar loudly in his car. Rebellious or what? Patriotic hope for an overseas success fights with shame at the dumbing down.

Sex And Chocolate is a *Brief Encounter* for the 1990s in which Dawn French, as primary school helper Bev Bodger, becomes the somewhat unlikely target for the affections of a jet-set fashion photographer with whom she attended primary school as a child. Adult Bev is married to funny and adoring Ian, another former pupil of the same school, and they have three loveable scamps of children. An angelic mother-in-law and a saintly black colleague make up a Cockney paradise which is blown apart when Bev succumbs to temptation and spends the weekend in Paris with Mr Jet Set. It is well made and well acted, though deeply sentimental, and no doubt the presence of Dawn French will ensure big ratings when it is screened on BBC1 this autumn.

Mr Bodger is played by Phil Daniels who also has a starring role as a bulimic Cockney restaurant critic in *Holding On*, the most interesting and enticing of the three previews. An eight-part BBC2 series with a named cast of 94 (yes, 94), written by Tony Marchant, it is fast, urban, and fluid – a sort of hard-edged soap for grown ups. Although it has that blue-light cityscape look so beloved of today's movie directors, and is of course fiction, *Holding On* puts me in mind of Christopher Terrill's splendid BBC2 documentary series, *Soho Stories*. The similarity is in the way that the narrative slides on from one life to another, and then another, going back now and then to pick up a thread, and then moving on to yet more stories. The youthfulness of many of the characters, the manner in which their lives overlap, and the technical style, will remind some of *This Life*. It is likely to be at the very least a powerful cult success, and eventually perhaps more than that.

And all that talk? Well, in 1997 there was more than ever. These days seminars are organised in five venues simultaneously, so you pick what sounds most interesting – "The Lost Generation, With BBC2 Controller Mark Thompson", "The Story Of F*ck", "ITV Plc?" – and scurry from one to another, rushing down The Mound and over the railway lines to get to The Dome or the Adam Room, desperately checking with those haring in the other direction whether you are making the wrong choices. Back in the 1970s when it all began, battle was joined between the semiologists, Marxists and feminists on one side and the bigwigs from the BBC and the IBA on the other. Voices were raised, jargon flew like bullets, and it was no surprise to find Jeremy Isaacs furiously denouncing the BBC for suppressing a Dennis Potter play and calling for everyone to issue an immediate demand for its screening. Passions rose and people craned dangerously over the gallery of the Physicians' Hall to hurl thunderbolts at heads of departments – sometimes their own.

Today, with the global marketplace having become the chief characteristic of television, there are ranks of tidily dressed media studies graduates, all straining to break into the business. Every session is prefaced by the same slick little sting: a rapidly intercut acknowledgement of all the sponsors, accompanied by loud rock music. "Audiences" listen in respectful silence, and when opposing sides are set up on the platform they happily discover they agree. How nice. News journalists and spin doctors feel that they must get together in a cosy cabal and settle the question of televised leadership debates before the next election, despite their hopeless failure to do so for the 1997 election. Hardly anybody mentions the rights of the viewer. On the question of "f*ck", executive and creative staff on the platform are unanimous: the word must be permitted, but context is all. The fact that this is very old hat, that a famous critic, Ken Tynan, settled it 30 years ago, and that today's freedom of speech debate needs to be about the right to make pro-racist or anti-feminist remarks on what has become such a politically correct broadcasting system, does not appear to have occurred to anyone.

For the 1998 TV Festival perhaps the scores of people on the Executive Committee, the Advisory Committee, the Working Group, and so on, might consider borrowing an idea from film and theatre festivals and greatly increasing the number of television programmes on view. Maybe they could invite a few viewers to the festival, and even appoint some to panels.

And while they are about it, perhaps they might use their status within the industry to get television to cover the real Edinburgh Festival with something more than flippancy, ridicule and ignorance. Members of the public who have never attended the festival could be forgiven if, judging from this year's coverage on BBC2, they assumed that the only important constituent was fringe comedy. Whatever you may think of the Keiller Collection of surrealist art, it deserves something better than gossip column quips from a celebrity cook and a comedy compère who boasts that he has no idea of the significance of Magritte in 20th century art.

What is the point of the licence fee and BBC2 if this is the way it treats the biggest and oldest arts festival in Europe in its 50th anniversary year?

Edinburgh Fringe

The tears of a clown

John Hegley is famous as a comic rhymester, but not until seeing him live at the Traverse did I realise that his finest wit usually occurs *after* the rhymes. In his "I need you" song, the couplet "I need you like a cappuccino needs a froth,/ I need you like a candle needs a moth" is good, but then comes the wistful little only-half-rhyming pay-off " – if it's going to burn its wings off". You gasp, but he's moved on to the next line. Terrific.

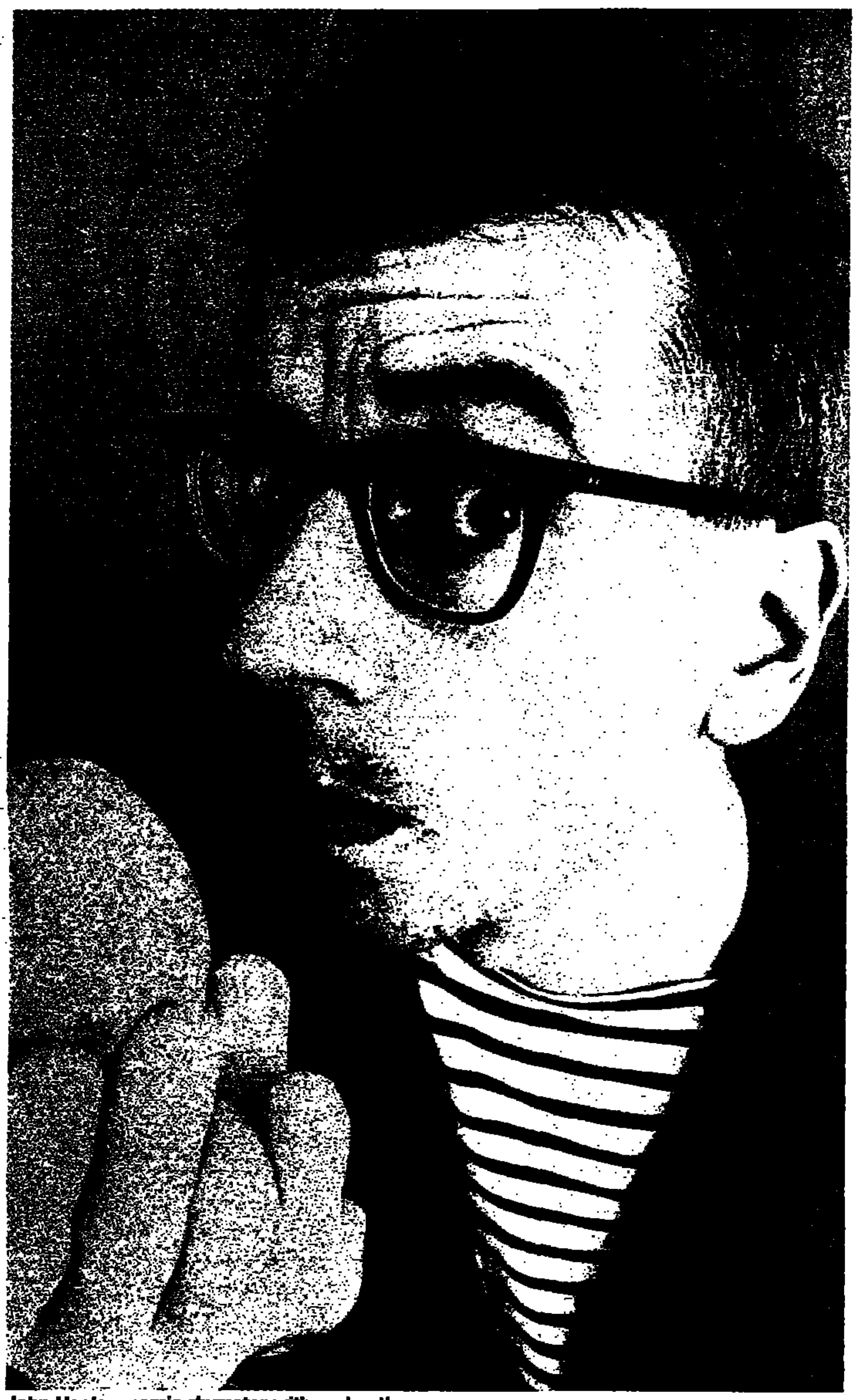
And not until seeing Hegley live – you can read his poems, and hear him on the radio – did I fall under his spell. His manner is un-ingratiating, wary, ironic, and it is his unique gift to make this funny. The error most one-man comedians make is to think that they can be a world in themselves to their audiences. Which seldom proves true, so that audiences sit there thinking "Get a life!"

But Hegley's central joke is that he hasn't quite got a life, and that he always had a problem in having a life; and he makes us recognises the same streak in ourselves. Of his schoolroom sweetheart and his rival, both seven years old (like himself at the time): "When Jane and Woyceck began to kiss,/ I was jealous of their bliss." (Pause; flash of malice; suddenly, fiercely, shouts.) "And I reported them to Miss."

Even Hegley's famous brother-in-law – what mothers-in-law are to many stand-up comics, Hegley's brother-in-law is to him – serves to reinforce the sad and marvellous central joke, that Hegley is an outsider even in his own family. And so he builds up to "I need you", which contains lines like "I need you like a novel needs a plot" and "I need you like a lookalike needs someone to look like".

Yes; the song is sheer pathos. How Hegley also makes it funny is his secret, but he does.

Alastair Macaulay



John Hegley: comic rhymster with real pathos

Edinburgh Festival/**Ian Shuttleworth**

Cocktail party resuscitated

Philip Franks' hallmark as a director is thought rather than "ideas". This may seem to be damning with faint praise, but quite the opposite is intended; Franks illuminates the plays he directs through careful contemplation of their natures and particularities rather than by turning the arc-lights of a particular "vision" upon them. His productions are practical essays upon the texts in question (without the desiccation that may imply) in which no-one ever, ever overplays.

It makes perfect sense that Franks should have wanted to direct a revival of T.S. Eliot's *The Cocktail Party*, first staged in the 1949 Edinburgh Festival, and it is fortuitous that festival director Brian McMaster should simultaneously have decided upon a production of it for the festival's 50th anniversary. Franks and his excellent cast succeed in turning Eliot's mixture of free verse and considered prose into living dialogue, falling short only when the poet is at his most ponderous. It is a revelation to find quite how many lines can, of their own accord, raise laughs.

As Edward Chamberlayne, David Bamber seems at times to raise the spectre of his most recent, frenzied, television sitcom role in *Chalk*, but his portrayal of a near-nervous breakdown here is far more finely judged. Suzanne Burden as his wife Lavinia captures from the first her monstrous acidity without ever quite sacrificing the audience sympathy which enables her redemption to work on stage. Their trio of "guardians" are played by an affable Simon Jones, an eccentric Clive Merrison (with a similarly eccentric accent) and an ever so slightly Thatcheresque Maggie Steed.

The play's difficulties remain. The sessions in the consulting room of psychiatrist Sir Henry Harcourt-Reilly (Merrison) are staged and lit more as inquisitorial dialogue than therapy, which focuses the attention at once upon the dense content of these scenes and their dramatic shortcomings; in the final act, news of the bizarre and exotic death of Edward's former lover Celia (Catherine Cusack, adeptly letting her character's undirected drive pervade almost every line) is received with a peculiar serenity. In short, the second half of the work is more of an essay in itself upon personal salvation – a work of secular mysticism – than a play, and even Franks' skill in bringing out theatrical clarity cannot wholly save matters.

Nevertheless, those of us who had feared three hours of dramatic bread-and-water were more than pleasantly surprised; the rehabilitation of *The Cocktail Party* as a stageable work rather than a written text may well have begun here.

King's Theatre, Edinburgh, until August 30 (sponsor: Royal Bank of Scotland); (0131 473 2000).

The Proms/**Richard Fairman**

Stick to the stars and stripes

It must have seemed a witty quip to start the evening. The promenaders greeted the Dallas Symphony Orchestra with a chant of "Do you remember who shot J.R.?", little knowing that the orchestra had already planned to have the last laugh. Its final, rip-roaring encore was the theme tune to *Dallas*.

This was the orchestra's first visit to the BBC Proms, one stop on its first-ever European tour. While so many orchestras are facing hard times, the Dallas Symphony is proud to be able to claim that it is enjoying a period of growth, in which it has built up both its audience figures at home and its financial reserves.

On this Proms showing, it sounded a good, second-division US orchestra – hard-working strings, keen wind, and a high-class brass section with a touch of American glitz.

So long as it was waving the stars and stripes, all went well. The concert opened with the Third Symphony by Roy Harris, written in 1939, a high watermark in the development of American musical thought, though not much known on this side of the Atlantic. It is a typically clear-headed score, cogently argued, and with a punchy physical style, which the Dallas players despatched confidently under their music director, Andrew Litton.

It was a neat idea to go from there to Samuel Barber's Violin Concerto, composed at the same time. This presents a different side of Americana, replete with eager-to-please melodies that are promptly forgotten. Joshua Bell played it intimately and imaginatively, suggesting he has found more layers of subtlety than other players before him.

If that had been followed with a big bold American second half, the concert might have made a successful run for home base. Instead, we had as unconvincing a performance of Tchaikovsky's Fifth Symphony as I have heard. Litton's recording with his previous orchestra, the Bournemouth Symphony, was already on the slow side, and this performance was also rhythmically inert and pedantic. Tchaikovsky was not allowed to make any point without Litton butting in to underline it.

Fortunately, there were still the encores to come: first William Schuman, then Gershwin, and end credits courtesy of *Dallas*. The concert was broadcast live on BBC2, so it was presumably some bright spark at television centre who had the idea of using spotlights that turned the musicians red, yellow and purple respectively, for each item on the programme. What next – strobe lighting?

The appearance of the Dallas Symphony Orchestra was made possible by Seeboard plc.

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS

Konzerthaus Tel: 49-30-203090

● Berlin Symphony Orchestra: conducted by Eliahu Inbal in works by Korngold, Ligeti and Beethoven, with cello soloist Peter Bruns; Aug 28, 30

● German Symphony Orchestra of Berlin conducted by Vladimir Ashkenazy in an all-Beethoven programme, with piano soloist Louis Lortie; Aug 30

■ EDINBURGH

Edinburgh International Festival

Tel: 44-131-473 2000

CONCERTS

● Bank of Scotland Fireworks Concert: Brad Cohen conducts the Scottish Chamber Orchestra in the traditional Festival finale. The programme includes Shostakovich's Festival Overture, and works by Handel and J Strauss. If you can't get a ticket, try the view from Calton Hill; Aug 28

● Bach Organ Works: organist Peter Hurford plays a series of 15 concerts at Greyfriars Kirk, Tuesdays to Saturdays at 5.45.pm. On Thursdays he is joined by singers of the Dunedin Consort; to Aug 30

● Black on White: by Heiner Goebbels, whose jazz, rock and world music influenced compositions have won him European celebrity, although he remains a relative unknown in the UK. This piece, subtitled *Music Theatre for Eighteen Players*, is performed by Ensemble Modern, with sets and lighting designed by Jean Kalman, costumes by Jasmin Andreae; at the Royal Lyceum Theatre; Aug 29, 30

● Archive Recordings: as part of the Festival's 50th birthday celebrations, the Music Performance Research Centre at the Barbican Library has loaned a selection of archive recordings of concerts given during the early years of the Festival, which can be heard Mondays to Saturdays from 11 to 30 Aug at the Queen's Hall. Featured artists include Leonard Bernstein conducting the LSO on 28th. Tickets cost £2, most recordings last 45 minutes and begin at 2.15pm (1.30 on Sats); to Aug 30

DANCE

Nederlands Dans Theater III: *Tears of Laughter*, choreographed by Jiří Kylián. Sister company of Nederlands Dans Theater 1, formed for mature dancers. Programme of five separate works; at the Edinburgh Playhouse; Aug 28, 29, 30

THEATRE

● The Cherry Orchard: by Anton Chekhov. After the success of last year's Uncle Vanya, Peter Stein returns to Edinburgh with Chekhov's most famous play, in a Salzburg Festival production seen there in 1995 and 1996. Jutta Lampe is Ranyevskaya. Performed in German with supertitles; at the Edinburgh Festival Theatre; Aug 28, 29, 30

● The Cocktail Party: by T S Eliot. Premiered at the 1949 Edinburgh Festival, this Royal Lyceum Theatre Company production of Eliot's drawing room comedy seeks to illuminate its hidden depths; the director is Philip Franks; at the King's Theatre; to Aug 30

■ LONDON

CONCERTS

BBC Proms, Royal Albert Hall

Tel: 44-171-589 8212

● BBC Singers: conducted by Bo Holten in a programme which includes works by Brahms and Schoenberg; Aug 28

● BBC Symphony Orchestra: with conductor Tadaaki Otaka performs Dvořák's *Overture Carnival*, Lutoslawski's Cello Concerto – with principal cellist Paul Watkins – and Brahms' Symphony No. 1 in C minor; Aug 30

● John Dankworth: conducts The Dankworth Sextet, BBC Big Band and BBC Concert Orchestra in a joint 70th birthday tribute to Gershwin and Duke Ellington, with Cleo Laine; Aug 29

● Leipzig Gewandhaus Orchestra: conducted by Sir Neville Marriner in a programme which includes the UK premiere of Hans Werner Henze's Second Sonata for Strings, Mendelssohn's Violin Concerto in E minor, with soloist Leila Josefowicz, and Schubert's Symphony No. 9; Aug 27

● Leipzig Gewandhaus Orchestra: Alfred Brendel performs the Piano Concerto in A minor Schumann wrote for his wife. The programme includes works by Wagner and Mendelssohn and is conducted by Sir Neville Marriner; Aug 28

■ LUCERNE

International Festival of Music

Tel: 41-41-210 3080

CONCERTS

● András Schiff: recital of Schubert piano sonatas; at the Union; Aug 28

● Anne-Sophie Mutter performs works by Brahms, accompanied by Lambert Orkis; at the von Moos-Stahl-Halle; Aug 27

● Philharmonia Orchestra: conducted by Claus Peter Flor in works by Tchaikovsky and Shostakovich; with violin soloist Julian Rachlin; at the von Moos-Stahl-Halle; Aug 30

OPERA

Jakob Lenz (1977/78): by W. Rihm. Performed by the Opernensemble und Chor des Luzerner Theaters and the Luzerner Sinfonieorchester AML. Conducted by Peter Kuhn; at the Luzerner Theater; Aug 28, 30

■ SALZBURG

Salzburg Festival

Tel: 43-662-844501

CONCERTS

Arditti Quartet: in a programme including works by Pintscher; at the Mozarteum; Aug 27

OPERA

● Boris Godunov: by Mossorgski. Conducted by Valerie Gergiev in a staging by Herbert Wernicke. Samuel Ramey sings the title role. Cast also includes Philp Langridge. With the Vienna Philharmonic, the Konzertvereinigung Wiener Staatsopernchor and the Slowakischer Philharmonischer Chor Bratislava; at the Grosses Festspielhaus; Aug 30

● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Aug 28

● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitscule; Aug 28

● La Clemenza di Tito: by Mozart. Conducted by Gustav Kuhn, directed by Ursel and Karl-Ernst Herrmann and designed by Karl-Ernst Herrmann. With the Camerata Academica Salzburg and the Konzertvereinigung Weiner Staatsopernchor; at the Kleines Festspielhaus; Aug 27, 29

THEATRE

Jedermann: by Hugo von Hofmannsthal. Revival of Gernot Friedel's production, designed by Imre Vincze; at the Domplatz; Aug 29

■ TANGLEWOOD

Tanglewood Festival

Tel: 1-617-931 2000

CONCERTS

The Handel & Haydn Society: conducted by Stanley Ritchie in a programme which includes Vivaldi's Four Seasons. With mezzo-soprano Lorraine Hunt; Ozawa Hall; Aug 27

JAZZ

● Chick Corea and Gary Burton, on piano and vibraphone: Ozawa Hall; Aug 29

● Pianist Randy Weston: Ozawa Hall; Aug 30

● Sonny Rollins Quartet; Ozawa Hall; Aug 30

■ VERONA

OPERA

Arena di Verona

Tel: 39-45-800 5151

● Aida: by Verdi. Conducted by Nello Santi (Roberto Tolomelli on Aug 28, 31), in a staging by Gianfranco de Bosio, revived by Susy Attendoli; Aug 28

● Madama Butterfly: by Puccini. New production. Conducted by Angelo Campori, with designs by Beni Montresor; Aug 29

● Rigoletto: by Verdi. Conducted by Nello Santi (Roberto Tollomelli on Aug 27 & 30), in a revival of Lotfi Mansouri's staging; Aug 27, 30

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08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

Security in numbers

Expansion of the Security Council is fraught with problems but desirable given US indifference to the UN

The ignorance about the United Nations among US opinion formers is profound. A New York Times editorial this month congratulated Bill Richardson, US ambassador to the UN, on coming up with "an ingenious proposal" to expand the UN Security Council. The proposal was to add five new permanent members: Germany, Japan, and three from "the developing world".

Ingenious it may be, but hardly new. At least since 1991, when they were asked to finance the Gulf war, there has been general recognition that Japan and Germany should be permanent Security Council members.

Such membership is regulated by the UN charter. To amend the charter requires a two-thirds majority in the General Assembly dominated by states from "the developing world", alias the poor south. But they will never vote in two extra permanent members from the rich north unless the importance of their own part of the world is also recognised.

The five existing permanent members (P5) – chosen when most of the south was still under colonial rule – comprise four northern powers (France, Russia, the UK and the US) and only one that might pass for southern (China).

Any enlargement would have to go some way to redress, not aggravate, this imbalance. In other words, it must bring in more southern than northern permanent members. In fact three southern states – one each from Africa, Asia and Latin America – is the least you could get away with.

Mr Richardson, a newcomer to the UN, may only just have worked all this out. But anyone interested in the subject has known it for five or six years. So why hasn't it happened? The difficulty is to decide who the new southern members should be, and to placate those left out.

In Africa there is no obvious candidate given Nigeria's human rights record and the rise of South Africa as a strong rival. In Latin America, much the largest state is Brazil, but it is unrepresentative, speaking Portuguese while everyone else speaks Spanish.

In Asia, India is the obvious candidate but Pakistan, for one, strongly rejects the idea of being represented by it. Even in Europe, middle-sized states like Italy, Spain and Turkey see no advantage in making Germany a permanent member alongside France and the UK.

The truth is, the permanent members were never meant to be representative or geographically balanced. That is the function of the nine non-permanent members, which change every two years.

The P5 were simply the great powers of 1945: those without whose active involvement world peace could not be guaranteed. In Franklin D. Roosevelt's vision they were supposed to act as world policemen, and nothing would be done unless all five of them agreed. Hence the veto.

Actually the veto was insisted on by Stalin, who (not without reason) feared that the Soviet bloc would be regularly outvoted. Nowadays it is the US which uses the veto most often, usually to head off any hint of action against Israel.

The other four permanent members are quietly glad to have it up their sleeve, while almost everyone else regards it as grossly unfair and an unnecessary obstacle to effective action. The official position of those countries aspiring to permanent membership is that they do not want the veto for its own sake but are not interested in second-class status. If the P5 keep the veto, they expect it too.

The man who has shown some ingenuity in moving this issue forward is Razali Ismail, Malaysia's UN ambassador and this year's General Assembly president. He has proposed a two-stage process, whereby the assembly would first decide the size and shape of an expanded Security Council, then wait a few months before voting on the actual new members. Under his scheme, membership would be increased from 15 to 24, with five new permanent and four new non-permanent members. The latter would be drawn one each from Africa, Asia, Latin America and eastern Europe. But it would be left to regional groups to decide whether the new permanent seats should always be occupied by the same member state, or rotated among two or three.

Rotation would be the obvious answer for Africa, and now looks likely in Latin America too, since last weekend Fernando Henrique Cardoso, Brazil's president, went on record as wanting "full participation for the country or countries that come to represent our region". India would be much less likely to accept such a solution for Asia.

So the issue may, in the end, be decided by the number of European and Asian countries willing to block any reform rather than see Germany, Japan and India elevated at their expense. Supporters of reform, believing such countries will not add up to more than one third of the UN's membership, are now pushing for a vote on the first stage of Mr Razali's scheme by the end of the year.

The US is not much interested in any of this. It only begins taking notice when its own ambassador gets round to echoing the received wisdom. Most Americans could not care less how many permanent members there are. Rightly or wrongly, they think the US can look after its own interests, and the UN only gets in the way.

But the less the US is willing to contribute to the UN, the more important it becomes for the rest of us that those who do contribute are given their due status and responsibility.

Razali Ismail: has shown ingenuity *Photograph: Reuter*

LETTERS TO THE EDITOR

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Why Japan's 'golden age' is unrepeatable

From Mr Russell Jones.

Sir, Gillian Tett's article on the Japanese economy is thought-provoking but, I fear, less than fully balanced ("Japan's stormy weather", August 22).

Perhaps the first point to make is that Japan's "golden age" is over. To expect the economy to repeat its performance of the 1980s and before is hopelessly optimistic. Given demographics, structural rigidities and the weaknesses in the banking sector, potential growth is now around 2 per cent a year. Deregulation will provide some support to the economy's underlying capacity to expand, but the dynamics of population ageing suggest that aggregate performance will at best stabilise.

As for short-term cyclical developments, the key consideration relates to the mechanics of recessions. Typically, these originate from an exogenous shock. This may be a supply shock; it may be related to external demand; it may be a function of exchange rate developments, or the consequence of a change in macroeconomic policy.

The global environment is the most satisfactory since 1989, with the only contemporary supply shock a positive technology-related one. At the same time, the yen's fall of recent years has left Japan highly competitive, while domestic interest rates are, as your correspondent suggests, at historical lows.

To believe that Japan is entering another entrenched downturn, one must believe therefore that the consolidative re-orientation of fiscal policy is sufficiently powerful in itself to counterbalance these positive factors and cause a recession. This I doubt. The experience of numerous economies over recent years is that, provided monetary conditions are loose enough and external demand buoyant enough, substantial fiscal adjustments can be absorbed, especially when, as in Japan, the change in budgetary policy will bring the public finances back on to a more sustainable footing.

Of course, the risk remains that Japan may prove an exception to this rule. More likely, however, the economy will soon rebound and the recovery process will prove sustainable, albeit at a more modest pace than we are accustomed to see, and with external demand providing much of the positive momentum. Surely, though, export-led growth is better than no growth at all?

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Strengthening non-military alternative to Nato cheaper and more cost-effective

From Mr Jim Addington.

Sir, The comprehensive report on Nato expansion by Bertrand Benoit ("Nato winning over the neutrals", August 14) suggests that many former neutral countries, now members of or joining the European Union, may consider Nato membership.

In Sweden, he tells us, some political leaders expect to reduce defence expenditure if they join Nato. If this were generally the case, many other countries would consider becoming members, but for existing member states expansion means a considerable, and so far unquantified, increase.

New members outside the EU such as Poland will have to face greatly increased expenditure, and that country expects the doubling of its defence budget in the next few years.

No sound reasons have been advanced for the current expansion of Nato, and many in the US Congress, and elsewhere, oppose it.

Perhaps in the absence of a real enemy it had either to shrink to nothing or to grow and seek a purpose; the second alternative was more acceptable to Nato leaders. Strengthening the Organisation for Security and Co-operation in Europe (OSCE), the non-military alternative in Europe, would be cheaper – and much more cost-effective.

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Go for gold – but buy metal not shares

From Mr Timothy Green.

Sir, While the great gold hedging debate (Letters, August 20) is important to potential shareholders in mining companies, this begs the real question, which is: what would make the gold price improve?

That needs investors to buy the metal, not the shares, as they did in the 1970s and early 1980s when the choice of gold shares was limited.

Today investors are offered a huge menu of Australian, North American and South African gold shares; that is where their money goes. Then they are puzzled that the metal's price does not perform.

By comparison, in silver, where there are few pure silver share plays, investors/speculators still go into the metal, resulting in a more-volatile and (sometimes) rewarding price.

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Britain's rural canals as beautiful as France's

From Mr David A. Loader.

Sir, I was surprised to see Nicholas Woodsworth ("Ship's log: stardate, summertime Burgundy", August 16/17) describe the navigable waterways of Britain as "they tend to be 2,000 miles of rather grubby waterway".

I have travelled extensively on the canals and rivers of Britain as well as on exactly the same stretch of the Canal du Bourgogne that his article covered.

While no one could suggest that some urban areas of the British canals are not the victims of carelessly discarded rubbish (and, sadly, worse vandalism), the rural canals are every bit as beautiful and rubbish-free as the lovely canal from Dijon to Pouilly.

That particular part of the French canal system may well be very different from the canals in and around London, but it is ridiculous to suggest that all British canals and rivers are inferior in either upkeep or setting.

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The FT Interview • Eisuke Sakakibara

Mr Yen's delicate dilemma

Gillian Tett talks to Japan's vice-minister of finance for international affairs

Eisuke Sakakibara, Japan's newly appointed vice-minister of finance for international affairs, leans forward with an impish grin. "The problem is that Asian countries are a little too polite," he says. "We do not like imposing policy or interfering in each others' affairs."

The comment seems somewhat disingenuous, coming from a man with a reputation as one of Japan's wiliest international operators. As director general of the International Finance Bureau, he had earned the nickname "Mr Yen" for his behind-the-scenes influence in talking the Japanese currency up and down. And since his promotion in July, Mr Sakakibara has used his influence to get Asian countries to back a $16.7bn package arranged by the International Monetary Fund for Thailand.

But as he sits in his new office Mr Sakakibara, 56, faces one of the most delicate challenges of his career. Currency turmoil has left him in little doubt that Asian countries need to take collective action to tackle their structural problems and to prevent the crisis from spreading.

The question is whether Japan can help arrange such action, given its deep reluctance to seize leadership roles abroad, and the lingering distrust that the country provokes in parts of Asia.

"Japan is prepared to play a major role", he says, "commensurate with its economic size. But we are not prepared to be a Big Brother in the region. We cannot be like the US in Latin America."

Mr Sakakibara, who worked in the US as an academic, is clear about what needs to be done. First, he says, Asia must develop a better system of banking supervision. "The area has attracted huge amounts of capital but the banking supervision system has not developed fast enough with this. We really need to strengthen the supervisory structure."

Second, south-east Asian countries need to adjust their manufacturing bases. Their manufacturers, he says, have been squeezed. Lower technology industries have faced competition in recent years from countries like China with lower labour costs. And Japan has – inadvertently – added to their woes: the weakness of the yen last year, he admits, has left south-east Asian exporters struggling to compete against higher-tech Japanese manufacturers.

Third, he says, the countries may need to adjust their exchange rate regimes, in which currencies (such as the Thai baht) have hitherto been pegged to the US dollar. "The region has been operating a de-facto dollar regime. We need to rethink that," he argues, pointing out that almost half of the area's trade now takes place within the region.

Does this mean a yen regime might be more appropriate? Mr Sakakibara chuckles. One aim of Japan's Big Bang financial deregulation, he admits, is to make the yen more international. But Japan has few illusions that this will happen soon. Instead, it wants to promote a new regional debate about exchange rate policy.

"Some intra-regional co-operation on exchange rates and monetary policy is needed. This idea is emerging in many Asian countries. The Thai package is one sign of that," he says.

If Asia can address these issues, then Mr Sakakibara is convinced that the region can rebound. In contrast to the Latin American crises, Asia has an important advantage: a high saving ratio. "The recent problems are part of a necessary adjustment process," he argues. "There has been a bubble, rather like in Japan."

Even if all these things should be done, should Japan take a lead in doing them? Or someone else? Mr Sakakibara certainly wants Japan to play a larger role. "I am ready for that," he says. "The Ministry of Finance is ready."

This is more than bluff. Japan was an important organiser of the IMF-led package, and the largest single donor. The US, by contrast, did not make any independent donation, although it will contribute to a bridging loan that is being arranged by the Bank for International Settlements.

Japan also helped arrange the BIS loan: it first raised the issue with the BIS a month ago, and has pushed the idea with tenacity against European resistance.

Officials in the Finance Ministry and the Bank of Japan are now pondering whether some form of new regional institution might be needed. One option would be to strengthen the existing collaborative organisation between Asian central banks. "We need a regional group. The European single currency is coming; and the North Atlantic Free Trade area is growing and so we need co-operation in Asia," Mr Sakakibara says.

But he remains cautious. "We absolutely do not want to rush. Being too hasty in creating a regional group could fuel political friction in the area. The worst thing that could happen would be to politicise the issue."

So what are the alternatives? The best one, Mr Sakakibara says, is the IMF. Japan has insisted ever since the currency crisis first erupted that it would not aid Thailand without the Fund's participation. In recent weeks it has prefered to hide its own co-ordinating efforts behind those of the Fund: Tokyo insisted that the meeting called to arrange the Thai rescue in Tokyo be "chaired" by the IMF.

Mr Sakakibara believes that the Fund's role – as a figleaf or otherwise – will remain crucial. It is the only institution that can impose financial discipline on a country. It also enjoys a crucial advantage in Asia that Japan does not: it is an outside, neutral player.

"The IMF can impose peer pressure, which is something that is hard to do in Asia." Mr Sakakibara chuckles again. "We are certainly very keen to keep working closely with the IMF." Japan's influence, it seems, will rise one way or another.

FINANCIAL TIMES

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Wednesday August 27 1997

Thoughts of Sakakibara

Among the questions raised by the Asian currency crisis was who should co-ordinate the response. How, in particular, should responsibility be divided between global and regional actors and where should Japan fit in? To these questions Mr Eisuke Sakakibara, Japan's newly appointed vice-minister of finance for international affairs, gives sensible answers.

His country has been reluctant to seize the leadership role that, for better or worse, comes so naturally to the US within the Americas. The lingering legacy of the second world war; the discomfort Tokyo feels over being in the limelight and the rivalries at work in the region all inhibit its actions.

Yet, whatever the reasons for Japan's decision to work through the International Monetary Fund in mounting the US $16bn loan package for Thailand, it was right to do so. Only the IMF has the expertise. Moreover, as Mr Sakakibara says, the neutral IMF can alone impose financial discipline. The alternative to an IMF-led package with conditionality would have been a regional one without it.

Japan's refusal to act without IMF involvement ensured conditionality, while saving Thailand's face. This made it the ideal "Asian" solution. Japan must now continue to stand behind the IMF in the tussles that may well lie ahead.

For all the wisdom of this decision to let a global institution lead the response to a regional crisis, questions about monetary co-operation remain. Two are particularly important.

First, the experience of Thailand and its neighbours casts the spotlight on exchange-rate regimes. Several Asian countries, including Thailand, pegged their currencies to the dollar. With almost half of the region's trade internal to it, this no longer makes sense for most. But simply shifting the peg from the dollar to the yen would be no improvement. Thorough discussion of how best to manage Asian currencies is essential, with Japan playing a central, though not dominant, role in the deliberations.

Second, co-operation among Asian central banks needs to be further developed. The Bank for International Settlements cannot perform that function, while the existing grouping of Asian central bankers still lacks a permanent institutional structure. The case for creating a secretariat is strong. It could help its mebers deal with regional challenges, without precluding global discussions, when needed, within the BIS.

In all this Japan must play a pivotal role. Its government is also inevitably involved in guiding the behaviour of Thailand's Japanese creditors. But its most important job remains making Japan an open economy pulled along by domestic demand. Effective regional influence, like charity, begins at home.

Asinine laws

Have you heard the one about the drunken motorist who crashed, then successfully sued the city of Houston, Texas for planting a tree in the wrong place? Joe Jamail, the lawyer who represented him, went on to relieve Texaco, the oil group, of an astonishing $11.1bn damages. This was awarded to his client Pennzoil after a wrangle about its takeover of Getty Oil.

A decade later such a sum looks quite ordinary. This week Dow Corning announced a $3.7bn plan intended to settle the claims of thousands of women who say they suffered injury as a result of breast implants. Meanwhile, the state of Florida agreed to accept $11.3bn from five US tobacco companies over the next 25 years. A full national settlement is expected to cost $368.5bn.

Behind these spectacular cases, the files are piled high with product liability claims. Some are serious, but many are trivial and a proportion – as insurance companies know all too well – plain fraudulent.

These difficulties are compounded by the tendency of US juries to favour the little person against the big guy. Dow Corning was ordered by a Nevada court two years ago to pay $15m to Charlotte Mahlum to compensate for injury after a breast implant. Yet the evidence for a link between implants and serious illnesses is inconclusive.

Juries may be thought ill-equipped to resolve such scientific issues, especially when under the influence of high pressure lawyers who stand to gain a percentage of the damages. Yet jurors have gone against their customary instincts by taking a robust view of private suits against tobacco companies. In most cases they said smokers knew the risks and must take the consequences.

However uncertain the results of jury trials in such circumstances, the right of citizens to have grievances argued before their peers cannot be denied. Nor is it easy to distinguish lawyers working hard for their clients from ambulance-chasers who exploit the system.

Rules which allow lawyers to take a proportion of the winnings unquestionably create a bias towards sharp practices. Even so, the main remedy should be sought in a change of the law, such as the limitation of punitive damages proposed by the US Senate's commerce committee this spring. The Clinton administration has steadfastly opposed such measures on libertarian grounds.

Certainly, genuine suits must not be impeded. But if all the customers sue all the shareholders (who are themselves ultimately customers) then collectively everybody will be worse off except you-know-who.

After de Klerk

South Africa should be doubly grateful to F.W. de Klerk, the country's former president who announced his retirement from politics yesterday.

Few leaders survive the sort of revolution he had the courage to set in train. But Mr de Klerk not only survived. He helped ensure the success of South Africa's remarkable transition from white minority rule to democracy. He took the National Party's defeat in the 1994 election with good grace. And by accepting President Nelson Mandela's magnanimous offer to become one of two vice presidents in the government of national unity, he made an invaluable contribution to the new government's sound start.

Mr de Klerk did, however, undermine his legacy in one respect. He wanted to bequeath a healthy National Party to his successor. But by clinging for so long to the party leadership, he prevented it breaking free of its past and becoming the constructive parliamentary opposition that is essential to good government.

To expand its appeal beyond white South Africans, it needed to turn for leadership to a younger generation. But the most likely contender, Roelf Meyer, resigned earlier this year to set up a new party. And any successor will face a formidable task. The party's morale is low, its membership ageing, the once all-powerful machine is in disarray, and the Afrikaner community, once the bedrock of its support, divided and demoralised.

Today nothing so illustrates the paucity of talent as the search for Mr de Klerk's successor. There is little chance that any of the likely candidates could break the mould. Instead, the National Party is capable of doing little more than consolidate its hold in the Cape, the only provincial assembly it won in the 1995 election, thanks to an alliance of white and coloured voters which outnumbered the black voters.

While this may ensure that the party survives, it is a far cry from the countrywide effective opposition party Mr de Klerk hoped to leave behind.

As it is, the ANC exercises an unhealthy dominance of the political scene, and in his attempt to maintain what is in effect a broad-based coalition Mr Mandela risks fudging decisions on vital economic issues, ranging from privatisation to trade liberalisation.

These issues could ultimately provide the basis for a realignment of South African politics which will leave it with right-of-centre and left-of-centre parties. South Africa's capacity to create a true multi-party state will be the ultimate test of the transformation for which Mr de Klerk deserves so much credit.

Snared in the net

Behind the merger of BT and MCI lies a profound change in the world telecommunications business, argues Alan Cane

Why have British Telecommunications and MCI, the second largest US long distance telephone operator, moved to cement their alliance with such – to their critics, indecent – haste?

Last week, the two agreed to new terms to keep alive a $23bn takeover which they hope will to create a powerhouse in global telecommunications. The two companies have gone ahead with the merger even though MCI reported that the costs it would incur in breaking into the $100bn US local phone market would be $800m more than expected in the current financial year and more again the following year.

Some of the eagerness of the partners – BT already holds a 20 per cent stake in MCI – can be gauged from the revised terms: MCI has agreed to a 15 per cent cut in the price agreed last November while BT has irrevocably committed itself to the deal even if MCI's fortunes falter again.

Why? The explanation is twofold. By merging, the two companies hope to offset some of the immediate competitive pressures on their businesses. And they hope to take advantage of the technological changes transforming their industry.

The companies fear that the telephone business is being supplanted by a new communications industry. As much as from rival operators, conventional telephone companies will now see competition coming from computer companies such as Microsoft, the world's largest software house, or Netscape, which provides internet software. Unless they can adapt, they worry that newer competitors such as Colt, Esprit and WorldCom may well have technological and cost advantages over incumbents.

Critics of the deal have more short-term worries. They argue that BT, instead of renegotiating, should have taken the opportunity afforded by MCI's problems to abandon a merger which they think could expose it dangerously to the volatile US telecoms market. Since the breakup of the Bell system more than a decade ago, this market has seen fierce competition in the long distance business, even while regional operators have enjoyed a monopoly in local services.

Today's volatility is a consequence of last year's US Telecommunications Act, which swept away – in theory at any rate – the barriers to competition between long distance and local operators. In practice, many, but not all, local operators are using delaying tactics to make competition difficult for new entrants.

Until adequate local competition is established, the US regulatory authorities will not allow local competitors into the long distance market. But James Dodd, telecoms analyst with the stockbroker Dresdner Kleinwort Benson in London, argues it is only a matter of time before local operators are free to compete with long distance providers like MCI. When they come into the market, they are likely to force down prices and erode profit margins.

A combination of competition and regulation is cutting the cost of telecoms around the world. In the 1970s and 1980s, operators coexisted in cosy "correspondent" cartels, in which they agreed among themselves how much to pay for delivering each others' calls. This "accounting rate" system is the reason why international calls are frequently charged at many times the cost of the service.

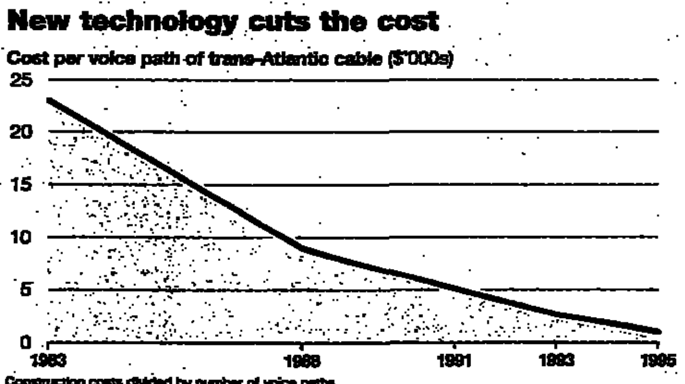
The accounting rate is collapsing. This is partly due to increasing competition – Europe's telecoms markets will for the most part be opened fully to competition on January 1 – but also to technologies that enable callers, to sidestep the exorbitant rates charged by some nationalised, monopoly operators.

Furthermore, the general opening up of the world's telecom's markets to competition will see heavy pressure on prices. Even if there were no other factors operating, within a few years, telephony of all kinds would tend to become a sort of commodity business. Telecoms companies would provide financial returns of the kind produced by low growth, low margin industries.

There is something else afoot – the growth of the internet. This is both increasing the size of the business and changing the nature of competition within it. As Sir Peter Bonfield, BT's chief executive, pointed out last week, the value of the world market in telecoms services is expected to grow from $600bn last year to more than $1,000bn in 2000. "This growth is being fuelled by the growth of data services and the internet," he said.

For telecoms operators, the internet – the global computer network – is both threat and opportunity. It is becoming a vehicle for traffic traditionally transmited over conventional telecoms networks. Electronic mail, carried over the internet will increasingly replace fax. Voice telephony over the internet is insignificant at present but could soon grow significantly, depriving the world's telecoms operators of core revenues.

New technology cuts the cost



Construction costs divided by number of voice paths. Figures are for construction costs only, including capital costs and do not include operating costs

Source: International Telecommunication Union

According to the London-based consultancy Philips Tarifica. BT's revenues from international telephone calls will be cut by at least $105m in 2001 as a consequence of the growth of internet telephony. Deutsche Telekom's revenues will be cut by $173m in the same year, while France Telecom will see a $94m decline, Tarifica says.

What if, the telecoms analyst Mr Dodd, muses, Bill Gates, Microsoft's chairman, were to add internet telephony to a future version of Microsoft Office, the best selling office software package?

Werner Knetsch, head of Arthur D Little's global telecoms practice, points out: "There are many players in the telecoms industry who must become much more aware and much more innovative with their services very quickly or face relegation to the role of network service provider."

Telephones and the Internet work differently. Traditional voice telecoms is based technically on "circuit switching": a direct connection is established between both parties for the duration of the call. Information travels over the internet as a series of "packets" each with its own address. The packets travel over the network in the most economical manner and are reassembled into complete messages at the receiving end.

Because of the need to break voice messages into packets before transmission and reassemble them in the right order on reception, telephony over the internet is far from perfect, characterised by interference and delays. In just two years since it was introduced, however, telecoms manufacturers such as Lucent Technologies in the US have improved the quality dramatically. Within months, it is likely internet telephony will be available which will be indistinguishable from conventional circuit-switched voice telephony – but at a lower price.

The internet is the most powerful conduit the world has yet seen for the dissemination of a broad range of electronic services, from electronic mail and on-line information to radio, or video.

The inference is that at some stage in the early part of the next century, voice telephony will be only one of a broad range of services available at very low cost over the internet. Pricing will most likely be on a subscription basis, rendering obsolete telecoms operators' expensive and complex billing systems.

Who will control and manage this new communications system? Mr Knetsch of Arthur D. Little says: "Whoever sends the bill, owns the customer."

The challenge for traditional telecoms operators, therefore, is to exploit the explosive growth of internet and data services. Many retain a kind of public monopoly corporate culture prevalent in the immediate post-war period. Unless they can change quickly, they could fall victim to the faster moving, more innovative computer companies who will skim the cream of the profits.

In combating companies such as Colt, Esprit and WorldCom, BT and MCI have some advantages. Between them, they have built the world's most advanced internet backbone, the high capacity transmission lines which carry internet traffic. They are also well advanced with experiments in multimedia and in the transmission of entertainment and on-line services such as electronic shopping and banking.

No one can know in advance whether the two companies will prove nimble enough to beat their rivals. Indeed, there is a danger that the merged company, Concert, may be tempted to overdo its investments in the US local markets at the expense of putting in place the foundations for tomorrow's communications industry. What is clear, though, is that whoever takes most advantage of the technologies transforming today's telecoms business will dominate tomorrow's industry.

CORRECTION

Prince's Trust

The Police Foundation's inquiry into drug abuse will be supported by the Prince's Trust, but not funded by it as our leading article stated yesterday.

· O B S E R V E R ·

Eastern promise

■ Germany's main political parties took a break from trading insults yesterday to set out the stall for east German foodie goodies. The ruling Christian Democratic Union and opposition Social Democratic Party cooked up a joint shindig in Bonn to spread the news about eastern jam, sausage, fizzy wine and cake mix.

It's all in aid of lifting eastern Germany's miserable 4 per cent share of the western German food market. Members of the two parties will soon receive, along with the usual indigestible party publications, a joint CDU-SPD foodie magazine featuring chancellor Helmut Kohl and SPD leader Oskar Lafontaine extolling eastern delights.

Food is a subject close to both leaders' hearts. Kohl loves savouries based on pork offal and high-calorie puddings, while champagne socialist Lafontaine has installed a French chef in his Bonn headquarters to cater for his more epicurian tastes.

So it's no surprise that the two leaders see different virtues in east German cuisine: Kohl drools over Thüringer Bratwurst (spicy griddled sausages) and Dresden Christstollen (heavy, sugar-laden cakes sold at Christmas). Lafontaine goes for a lighter lunch: his favourite nibble is fresh Brandenburg asparagus.

Mind games

■ The battle between Canada's federalists and separatists is getting nastier: it has just emerged that a federalist MP commissioned a psychiatric report on Quebec's separatist premier Lucien Bouchard.

The 5,000-word report – written last year for MP John Godfrey – suggests that Bouchard is vain and insecure, and suffers from "aesthetic character disorder", which apparently means that his commitment to a cause or person can be shifted quickly.

Psychiatrist Vivian Rakoff says he did the work for nothing: it was his contribution to national unity. He has never met Bouchard, and based the work on his writings and speeches.

Bouchard, leader of the francophone separatist movement, who almost led the province to independence two years ago, isn't impressed by this diagnosis, and says Godfrey, a member of Prime Minister Jean Chretien's Liberal party, has sunk to new lows in the dirty game of politics.

Chretien has characteristically managed to stay above the fray, saying he hasn't seen the 5,000-word report, though acknowledging that aides have read it. Godfrey says it's good politics to know the enemy. He may also have set an uncomfortable precedent.

Home runaround

■ The good news is that a new baseball stadium in the Sicilian capital Palermo opens tonight, in time for the World Student Games – unlike nine of the games' 23 venues. The bad news is that the baseball tournament was cancelled for lack of interest.

The games, which finish on Sunday, haven't been short of problems. Costs have escalated: a proposed village for contestants was never built, so they're staying in hotels, and confusion about volunteer helpers meant professionals had to be drafted in.

There was a barney at the opening ceremony involving games director Attilio Colonello and a press photographer. Then games chief Primo Nebiolo said Colonello hadn't been open enough about his plans for the ceremony, so TV viewers missed some of the extravaganza.

Canadian protests about travelling made a new $1.4m volleyball stadium at Cattagirone redundant. The players preferred Catania, even though the stadium roof leaks. There have been spats about water-free swimming pools, failure to provide a stage for fencers and lack of drinking water for tennis players.

The International Olympic Committee decides next week on the venue for the 2004 Olympics, and Rome is on the shortlist. Italy might have wished for a smoother Sicilian showpiece.

Hard cell

■ Egon Krenz may have moved out of the limelight and into prison but it seems East Germany's last head of state hasn't completely abandoned communist egalitarian principles. Offered preferential treatment in Berlin's Moabit prison, Krenz has demanded the same as other inmates. It's a bit late to practise what he preaches – the communist elite didn't live much like the average east German in the days before the wall came down.

Busy signal

■ France's Ministry of Employment and Solidarity has a lot on its plate, so it isn't encouraging pesky telephone calls, which only interrupt the work. Or maybe there's another reason why, when asked for its phone number yesterday, France Telecom's electronic Minitel system said it was ex-directory.

The Financial Times

100 years ago

Upheavals In Uruguay
There are some miscreants in Uruguay who evidently have their own method of celebrating the National Independence, and President Borda has paid the penalty. The Stock Markets, however, viewed the matter with equanimity, and Uruguay issues promptly rose on the news. This result, however, was not the manifestation of Stock Exchange heartlessness that at first sight it might seem. The truth is that for some time past everybody has recognised that the long-dragged-out revolution was sapping the finances of the country beyond endurance, and that President Borda was the chief stumbling-block to peace. [President Juan Idiarte Borda of the Colorado party was assassinated in 1897.]

50 years ago

Chinese Prices Increase
Shanghai, 26th August. The continued increase of commodity prices and the Chinese Government's reluctance to increase essential imports have led observers here to doubt how long the advantages of the new exchange rates will last. It is not expected that any aid will be granted by the United States until the chief objections specified by President Truman's special envoy have been removed.

FINANCIAL TIMES
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Kohl refuses to budge over cabinet reshuffle

By Peter Norman in Bonn

Helmut Kohl, Germany's chancellor, yesterday underlined his refusal to reshuffle his cabinet by insisting that the issue would not be raised at next week's strategy meeting of his Christian Democratic Union and the Christian Social Union, its Bavarian sister party.

But talk about a possible reshuffle, brought to prominence in recent weeks by Theo Waigel, finance minister and CSU leader, continued to produce political aftershocks in Bonn and Munich.

While agreeing with Mr Kohl that talk of reshaping the cabinet should be kept off the agenda at the CDU-CSU meeting, Bernd Protzner, CSU general secretary, said the two parties "needed to make progress" on personnel and policy issues to increase the government's chances of holding on to power at the general election on September 27 next year.

Ingo Friedrich, CSU deputy chairman, raised the stakes further by declaring that the responsibilities in the cabinet must be changed after the long-planned departure of Wolfgang Bötsch, the CSU post and telecommunications minister, at the end of this year.

He suggested the creation of a ministry for Europe from departments in other ministries as a way of compensating the CSU for the loss of one of its four cabinet members.

A member of Mr Kohl's CDU also questioned whether the chancellor was right, on his return from holiday on Monday, to exclude any additional changes to the ministerial team before the election.

Christian Wulff, CDU leader in Lower Saxony, said debate about the issue could not simply be stopped by Mr Kohl's statement ruling out a reshuffle. Mr Kohl and Mr Waigel will attempt to settle their differences in private talks this week, although it was unclear yesterday how a breakthrough could be achieved. In a radio interview, Mr Protzner warned against expecting decisions in the immediate future.

Instead, both parties will focus on policy issues at next Thursday's strategy meeting at Kloster Andechs near Munich to win back some popularity in the 13 months before the general election. Policies to be discussed include combating unemployment, tax reform and pension reform.

But tensions continued to run high after Mr Kohl's attempt to reassert his authority over his squabbling coalition. In one of several interviews yesterday, Mr Protzner pointedly reminded the CDU that the Bavarian CSU was an independent party.

Observer, Page 9

Mozambique may receive debt relief worth $1.5bn

By Robert Chote, Economics Editor

Mozambique should be granted debt relief worth up to $1.5bn to reduce the burden of its external borrowings to sustainable levels, according to confidential proposals drawn up by the World Bank and International Monetary Fund.

The assistance programme would be the largest considered so far under the "highly-indebted poor country initiative", which is being co-ordinated by the two Washington-based institutions. Mozambique is one of the poorest countries in the world, with national income of $90 per head in 1996.

The proposal will be discussed by the executive directors of the bank and the IMF early next month. The institutions believe the relief should be delivered at a "completion point" in mid-1999, although some directors are believed to favour delay until mid-2000.

The proposal argues that Mozambique could sustain a ratio of debt (measured in net present value terms) to exports of 200 to 220 per cent.

This implies debt relief worth between $1.2bn and $1.5bn for a mid-1999 completion point or between $1.1bn and $1.4bn for a mid-2000 completion point.

Agreeing a debt relief package for Mozambique will be made more difficult by the high proportion owed to bilateral government creditors rather than multilateral institutions.

The Paris Club of bilateral creditors is prepared to offer 80 per cent debt relief under the initiative, but would have to go further than this if the burden of debt relief for Mozambique were to be shared equitably between its creditors.

At the end of this year the net present value of Mozambique's external debt is expected to be $3.3bn, or 709 per cent of its annual exports.

Of this, $859m will be owed to multilateral institutions (principally the World Bank), $1.9bn to the Paris Club countries, $439m to other bilateral government creditors and $49m to commercial creditors.

Without the extra debt relief available under the initiative, IMF and World Bank staff estimate that Mozambique's debt-to-export ratio would still be above 400 per cent in 1999 and above 250 per cent in 2005.

Hoechst sale

Continued from Page 1

part of the agreement with Watson, HMR will continue to manufacture some generic products for the US group.

Earlier this month Hoechst spun off its struggling European polyester textile fibres business into a joint venture.

Hoechst's reorganisation has come under fire from investors after it unveiled a 54 per cent fall in pre-tax profits to DM2bn ($1.1bn) in the first half of this year. Hoechst said the sale of subsidiaries distorted the figures.

The company plans to list in New York next month.

De Klerk retirement

Continued from Page 1

Holomisa, a past military ruler of the former Transkei homeland, who was expelled from the ANC last year.

Mr de Klerk acknowledged yesterday what many members of his party have long been saying in private. He told the party's federal executive that he "felt he was getting a bit stale and it was time to hand over to someone with more vigour".

"Immediately after my retirement, I shall devote a substantial percentage of my time to the writing of my autobiography," said Mr de Klerk.

In 1989, when he succeeded P.W. Botha as president, he gave little hint of the radical steps he was going to take. But the combination of growing township unrest and the impact of economic sanctions convinced him there was no alternative other than to release Mr Mandela and negotiate the end of more than 300 years of white minority rule.

The ANC swept to power with almost two thirds of the vote in the country's first all-race election. Mr de Klerk's national party won only 20 per cent – close to the proportion of white and coloured voters combined.

US ruling makes net safer for financial business

By Matej Vipotnik in London

A US federal judge has cleared a barrier to the export of software that would make the internet a safer medium for conducting financial transactions.

Judge Marilyn Hall Patel ruled that the US State Department licensing requirements, which restrict the export of encryption software, violate free speech.

The future of commerce on the internet depends on the safety of transactions between users. Encryption is a process which scrambles information to protect it from computer hackers. The process is particularly important for companies and traders who accept credit card payments via the internet. But the US government fears it could be used to conceal sensitive military information.

Judge Patel issued a permanent injunction barring the US government from enforcing its ban on the export of the software which was the object of the case and expects the US government to appeal. The program, called Snuffle, was developed by Daniel Bernstein, a university professor.

But software firms whose products incorporate encryption were unfazed by the narrowness of the ruling and indicated that it undermined the US regulations.

"As far as Netscape is concerned, the ruling sets a legal precedent and applies to all encryption exports," said Sam Sethi, UK marketing manager for Netscape, a software firm.

"The Judge realised that encryption is speech and that the government's restrictions on the export of encryption are unconstitutional," said Shari Steele, staff attorney with the Electronic Frontier Foundation, a non-profit organisation supporting civil liberties on the internet which sponsored Mr Bernstein's suit.

Mr Bernstein sued the State Department in 1995, when he discovered his invention was classified as a defence article and required a special licence before it could be exported.

Netscape is one of six companies granted export licences for software with 128-bit encryption. Less powerful encryption software has already proved vulnerable to computer experts seeking to break through the encryption.

These companies have agreed to deposit the keys which unlock encrypted communications in an escrow account accessible to the US government. But the US software industry, including those companies which have been granted export licences, are fighting for the removal of all restrictions.

THE LEX COLUMN

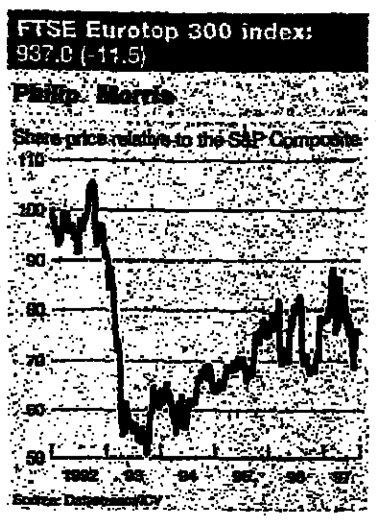
Physician, heal thyself

Martin Ebner's status as corporate gadfly is unassailable. He has harried UBS management into becoming more shareholder friendly, driven Credit Suisse and Winterthur into each other's arms, and contributed to a general improvement in Switzerland's corporate governance. But does this make him a good stock-picker?

Swiss investors are not in any doubt. Unlike in the UK, where investment trusts tend to trade at a substantial discount to assets, they are prepared to pay a premium for Mr Ebner to manage SFr16.5bn ($11bn). To date, it has not been a very successful strategy. Of his two flagship funds, over 90 per cent of Pharma Vision is invested in Roche, while the bulk of BK Vision funds are in UBS. Yet in 1996, Roche and UBS substantially underperformed both the Swiss stock market and their respective sectors; the net assets of the two funds actually declined. This year, by contrast, Roche and UBS have outperformed the Swiss market, but lagged well behind their peers. In short, Mr Ebner looks to have put investors' funds in the wrong basket. Certainly, his performance record falls some way short of his claims to be Europe's answer to Warren Buffett.

Why, then, do Swiss investors pay Mr Ebner high fees? Perhaps they believe he knows more about the likes of Roche and UBS than they do. Maybe they have confused his profile with a canny investment touch. Either way, while Mr Ebner's efforts to stir up the sleepy world of corporate Switzerland deserve every support, investors seeking performance would probably do better to bypass his funds and buy directly.

FTSE Eurotop 300 index: 937.0 (-11.5)



US tobacco

The US tobacco industry's latest legal capitulation is probably sensible. The Florida Medicaid case was the one the industry was most likely to lose, since the state had invalidated much of the defence. It would have generated adverse publicity at a sensitive time, since it coincided with negotiations to achieve an industry-wide agreement on smoking health claims. And yet the Florida Medicaid suit has been settled along similar lines to the proposed broader deal. So the additional costs should be minimal.

However, it does increase the need for Big Tobacco to reach that big settlement. If it fails, the risk ratings attached to tobacco earnings will be considerably magnified now that the industry has given in to two states without gaining any of the legal immunities it wants. And that could encourage the industry's opponents to go for the jugular.

Negotiations on the settlement will come to a head when President Bill Clinton returns from holiday, and there will be an immediate push for more concessions from the original deal. But the original proposals were so positive for tobacco companies, they can afford to give ground. A deal would be politically expedient for Mr Clinton, it would be a goldmine for the lawyers and it looks increasingly vital for the tobacco companies. In the circumstances, the odds must be on a solution that pleases all three parties.

BT/MCI

It is now clearer why MCI capitulated so far on terms for its acquisition by British Telecommunications. In exchange for a discount of more than 15 per cent, BT agreed to railroad its shareholders into supporting the deal. It just did not get round to telling them.

This is not quite as bad as it sounds. BT has sacrificed an insurance policy, in the form of its ability to wriggle out of a deal in the event of "a material adverse change". But when MCI issued its profit warning last month, there was much legal doubt over whether the insurance counted for anything. And having spent weeks poring over MCI's books, BT is now ill-placed to complain about surprises. As for lowering the threshold for approving the deal from 75 to 50 per cent and raising the penalty for no approval, the deal attracted the vast majority of votes last time, and 50 per cent seems a more obvious threshold anyway.

Nonetheless, if the insurance policy was worthless, why bother to take it away? And if 50 per cent was a reasonable threshold, why not impose it from the beginning? Besides, the management should have announced the concessions when revealing the new terms. After all, three months is a long time in the world of telecoms. If MCI hits another pothole before the deal is completed these amendments may look far from cosmetic.

ABP

Is Associated British Ports the next P&O? On the face of it, the ingredients for shareholder agitation are all in place. Not only have ABP shares underperformed the market by 30 per cent in three years but they have conspicuously failed to benefit from this year's fashion for defensive UK earnings. Management credibility had already suffered, thanks to bungled property forays and an unfortunate decision to fix a big chunk of borrowing costs at 11⅞ per cent until 2011. It does not help that Sir Keith Stuart, chairman since 1982, also holds the chief executive slot, nor that the non-executive line-up looks tired.

The snag is that putting some zip into ABP's performance is not the relatively simple matter, as at P&O, of prompting the management to engineer some big value-adding deals. ABP's problems are not over-competition or a need for economies of scale. So what are they? First, despite its patchy past record, ABP continues to dabble in investment property. When a port business splashes money on industrial parks in places like Huntingdon and Salford, alarm bells should ring. Second, much cash has been ploughed into the core port business over the years, with not-very-sparkling results in terms of improved returns. Of course, investors should not expect such investment to pay off instantly. But when non-property port profits grew by just 4 per cent last year, tricky questions are only fair.

This looks, in short, a classic case of a mature business with more cash than good use for it. Two remedies are called for. One is a big pay-out to shareholders, to put tougher disciplines on the company's use of capital. The other is a spring-clean of the board, with proper separation of the chairman and chief executive roles.

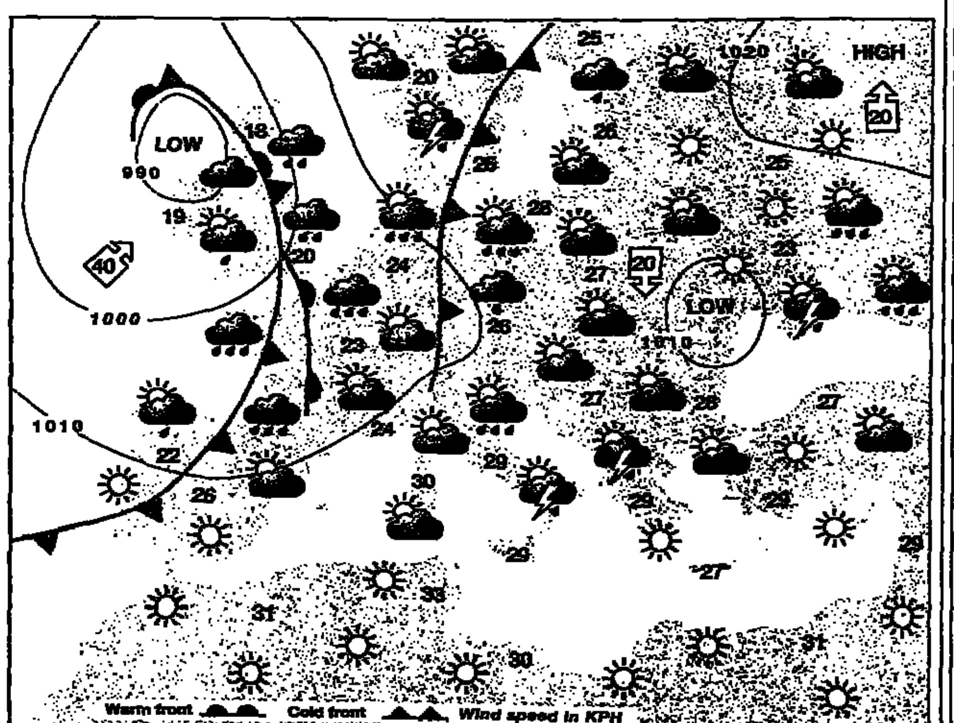
FT WEATHER GUIDE

Europe today

Northern Spain, France and the Low Countries will be unsettled with showers and longer spells of rain, possibly thundery, although brighter weather will reach western France and north-west Spain later. Central Scandinavia to northern Germany will be cloudy with showers and thunder but western Norway and southern Finland will be dry with sunny spells. Most of the Mediterranean will be sunny and hot, except for Italy where thundery showers are likely. Most of eastern Europe will be warm with sunny periods, apart from heavy showers near the Black Sea.

Five-day forecast

Thundery showers over western Europe will move east to affect central Europe tomorrow and on Friday, and the east by Saturday. Most of Scandinavia will be warm and fairly sunny, but south-west areas will be cloudy with rain. The Mediterranean should stay fine and hot but with thundery interludes.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum\	Beijing	Fair 33	Caracas	Fair 31	Faro	Fair 24	Madrid	Fair 26	Rangoon	Thunder 30
	Celsius\	Belfast	Shower 19	Cardiff	Shower 19	Frankfurt	Fair 26	Majorca	Sun 28	Reykjavik	Cloudy 13
Abu Dhabi	Sun 40	Belgrade	Cloudy 26	Casablanca	Fair 24	Geneva	Fair 24	Malta	Fair 31	Rio	Fair 25
Accra	Fair 27	Berlin	Sun 28	Chicago	Cloudy 27	Gibraltar	Fair 27	Manchester	Rain 19	Rome	Thunder 29
Algiers	Fair 31	Bermuda	Shower 31	Cologne	Fair 24	Glasgow	Rain 18	Manila	Rain 32	S. Frsco	Fair 24
Amsterdam	Fair	Bogota	Thunder 20	Dakar	Thunder 31	Hamburg	Thunder 25	Melbourne	Shower 15	Seoul	Fair 31
Athens	Sun 29	Bombay	Rain 30	Dallas	Sun 36	Helsinki	Fair 25	Mexico City	Thunder 27	Singapore	Fair 31
Atlanta	Shower 33	Brussels	Thunder 24	Delhi	Shower 31	Hong Kong	Rain 31	Miami	Fair 34	Stockholm	Fair 26
B. Aires	Fair 21	Budapest	Fair 27	Dubai	Sun 38	Honolulu	Fair 32	Milan	Cloudy 25	Strasbourg	Cloudy 26
B.Ham	Rain 19	C.Hagen	Fair 27	Dublin	Shower 19	Istanbul	Cloudy 26	Montreal	Shower 23	Sydney	Fair 17
Bangkok	Thunder 34	Cairo	Sun 32	Dubrovnik	Fair 26	Jakarta	Fair 32	Moscow	Cloudy 25	Tangier	Sun 25
Barcelona	Fair 26	Cape Town	Shower 19	Edinburgh	Rain 18	Jersey	Thunder 20	Munich	Fair 26	Tel Aviv	Fair 30
						Karachi	Sun 35	Nairobi	Thunder 27	Tokyo	Shower 27
						Kuwait	Sun 44	Naples	Thunder 28	Toronto	Shower 25
						L. Angeles	Sun 27	Nassau	Shower 32	Vancouver	Rain 19
						Las Palmas	Fair 27	New York	Fair 26	Venice	Fair 25
						Lima	Cloudy 23	Nice	Fair 27	Vienna	Fair 26
						Lisbon	Shower 22	Nicosia	Sun 32	Warsaw	Fair 25
						London	Thunder 20	Oslo	Thunder 20	Washington	Fair 31
						Lux.Bourg	Fair 23	Paris	Thunder 24	Wellington	Shower 13
						Lyon	Cloudy 30	Perth	Shower 19	Winnipeg	Sun 24
						Madeira	Fair 26	Prague	Sun 27	Zurich	Fair 24

FINANCIAL TIMES
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Week 35

IN BRIEF

Michelin returns to pole position

Groupe Michelin of France has regained from Bridgestone of Japan its position as the world's biggest tyremaker, measured by value of sales, according to European Rubber Journal, one of the industry's main trade publications. Page 12

Gencor ends era with 41% advance
Gencor marked the end of a century as a traditional South African mining house with its last results as a diversified metals and minerals group. Group net profit for the year to June rose 41 per cent to a record R2.11bn ($449.7m), at the upper end of expectations. Page 13

Commodore chain declared bankrupt
Commodore, a name that helped pioneer the US home computing revolution in the 1970s, was declared bankrupt in its latest guise as a manufacturer and retailer of PCs primarily for the Dutch market. Receivers shut the chain's 30 Netherlands stores after rescue talks failed. Page 12

3i fund increases fourfold
3i, the UK's largest provider of equity to unquoted companies, announced the quadrupling of a fund, launched in the spring, which is targeted at smaller management buy-ins and buy-outs. Page 14

Scotiabank posts records gains
Bank of Nova Scotia said record gains from the sale of investment securities sparked a 40 per cent jump in third-quarter net income. Canada's fourth-largest and geographically most diverse bank reported net income of C$384m (US$275.9m) in the three months ending July 31, up from C$275m a year ago. Page 12

MAM reorganises equity fund
Mercury Asset Management, one of the UK's leading fund management groups, has reorganised its largest UK pooled equity fund in a bid to improve its recent poor performance. Page 14

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Allianz	402	-	13.5
BMW	1281.8	-	56.5
Hdlbz	351	-	5
Holzmann	666	-	12
Mannesmann	840.5	-	36.5
Viag	773	-	27
NEW YORK ($)			
Rises			
Cytec Inds	45⅞	+	3¼
Republic Ind	25¼	+	1¼
Texas Pcfc	44¼	+	2⅝
Falls			
Aames Fnl	19¾	-	4⅛
Ambassador Apt	20¾	-	2¼
Beijing Yanhua	21½	-	3¼
LONDON (Pence)			
Rises			
BAT Inds	533½	+	19½
Biocompatibles	1157½	+	82½
Tepnel Life	78	+	13½
Falls			
Astec (BSR)	137½	-	22½
Danka Business	740	-	30
Eurocopy	32	-	26
TORONTO (C$)			
Rises			
Alliance Comm	15.1	+	0.85
American Eco	13.1	+	0.9
Softkey Swam	17.55	+	1.05
Falls			
Big Rock Brew	7.0	-	0.75
Midollim B	1.0	-	1.55
Telescene Fm	10.25	-	1.0
PARIS (FFr)			
Rises			
Air Liquide	941	+	18
Geophysique	735	+	15
Falls			
Accor	942	-	28
BIC	468	-	15
LVMH	1380	-	34
Sanofi	580	-	14
TOKYO (Yen)			
Rises			
Casio Cmptr	1100	+	40
Kaken Pharm	503	+	32
Komatsu	853	+	18
NSK	651	+	32
Falls			
Obayashi	764	-	17
Yaohan Japan	141	-	15
HONG KONG (HK$)			
Rises			
Beijing Ent	58.25	+	2.5
Cheung Kong	91.5	+	1.75
China Mtr Bus	74.5	+	1.0
Falls			
HSBC Hlds	256.0	-	1.0
Hang Seng Bk	103.5	-	1.5
Shanghai Ind	50.5	-	1.5
BANGKOK (Baht)			
Rises			
Phoenix Pulp	19.25	+	1.75
Sri Trang Agr.	40.0	+	3.5
TTL Inds	31.25	+	2.75
Falls			
Cogeneration	58.5	-	6.0
Foremost	75.0	-	8.0
S&J Intl	31.5	-	3.5

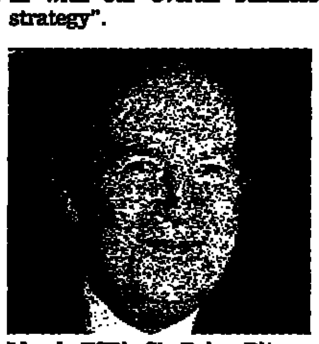
New York and Toronto prices @ 12.30pm.

UBS pays Lloyds $190m for SMH

By Andrew Fisher in Frankfurt

Union Bank of Switzerland plans to build up its fund management and private banking activities in Germany by paying DM350m ($190.20m) for Schröder Münchmeyer Hengst, a Frankfurt-based bank owned by Lloyds TSB of the UK.

Lloyds said it would make a pre-tax profit of £40m ($65.2m) on the agreed sale, which comes at a time of increasing consolidation in the European banking sector. Alan Moore, the UK bank's deputy group chief executive, said SMH was being sold "as it no longer fits in with our overall business strategy".



Lloyds TSB's Sir Brian Pitman

The German bank has been concentrating on asset management and private banking – areas in which UBS has global ambitions. Lloyds, which is chaired by Sir Brian Pitman, is active mainly in the retail market.

The UBS purchase of SMH is small by the standards of recent European financial deals, but it shows the extent to which banking is being reshaped by the approach of the euro and investors' desire for greater returns.

"The rebuilding is under way – it is taking place across Europe," said Arthur Decurtins, a UBS director, about change in the industry. He said the acquisition of SMH would enhance the private banking and asset management activities of SMH.

The Swiss bank has total assets of DM2.5bn, capital of DM180m and employs 400 people. Net income slid to DM800,000 last year from DM6.5m as a result of restructuring costs and write-offs as its loan portfolio was reduced.

SMH said 1997 was proving very successful, even without the impact of buoyant capital markets. It has more than DM8bn of institutional funds under management and DM5bn from private customers, with DM1bn flowing in this year. Together, SMH and UBS will have some DM20bn under management in Germany.

Lloyds, which owns 90 per cent of SMH, will receive £100m from the sale, with UBS also buying the 10 per cent owned by partners and staff. Mr Moore said SMH would be able "to develop and strengthen its investment banking activities" under UBS.

Lloyds takes its leave, Page 14

Brewer in search of a strategy

Bass must look at alternative ways to expand its profits

By Ross Tieman in London

Ian Prosser has a problem. Blocked by the UK government from buying more pubs, or its smaller brewing rival Carlsberg-Tetley, the executive chairman of the UK's second-biggest brewer must look to international expansion, including development of his Holiday Inn hotel chain, to enliven profits growth.

The sale last Friday of Bass's 50 per cent interest in Carlsberg-Tetley, on the orders of trade secretary Margaret Beckett, has thrown Sir Ian's plight into relief.

The £140m ($228m) proceeds will cut Bass's gearing by 10 per cent to just 16 per cent by the end of its financial year next month.

Once, that would have been seen as sound financial housekeeping. Today, Bass is perceived as lamentably undergeared. The company's shares trade at a 20 per cent discount to the market, and at a modest discount to the shares of Scottish & Newcastle, the biggest UK brewer, and Whitbread, the number three.

Some analysts believe that without the cost savings promised by the banned merger of Bass Brewers with Carlsberg-Tetley, profit growth at Bass will slow abruptly. Over the past three years, margins have risen by an average of 11.3 per cent a year. Now, says Charles Watson of James Capel, that will slow to "at best" 6 per cent. "They are in a strategic corner," he says. "Bass needs a paradigm shift in strategy."

Equally damaging to the share price is the worry that in its impatience to make acquisitions to speed profit growth, Bass will overpay.

Whitbread is widely perceived to have paid a full price for a string of acquisitions – including Marriott Hotels, David Lloyd Leisure, and the Pelican restaurant chain – after its bid for rival brewer Courage was thwarted.

"The money burned a hole in their pockets," says one analyst. "A few people are worried that Bass might do the same thing."

Over the past few weeks, Bass has emerged on the shortlist of bidders for the William Hill betting chain, which is for sale. It has also been touted as a likely buyer for First Leisure, an operator of nightclubs and bingo halls.

"We have a lot of cash," says Bass. "People are always trying to guess what we might spend it on. But we look at it the other way round: can it add value for our shareholders?"

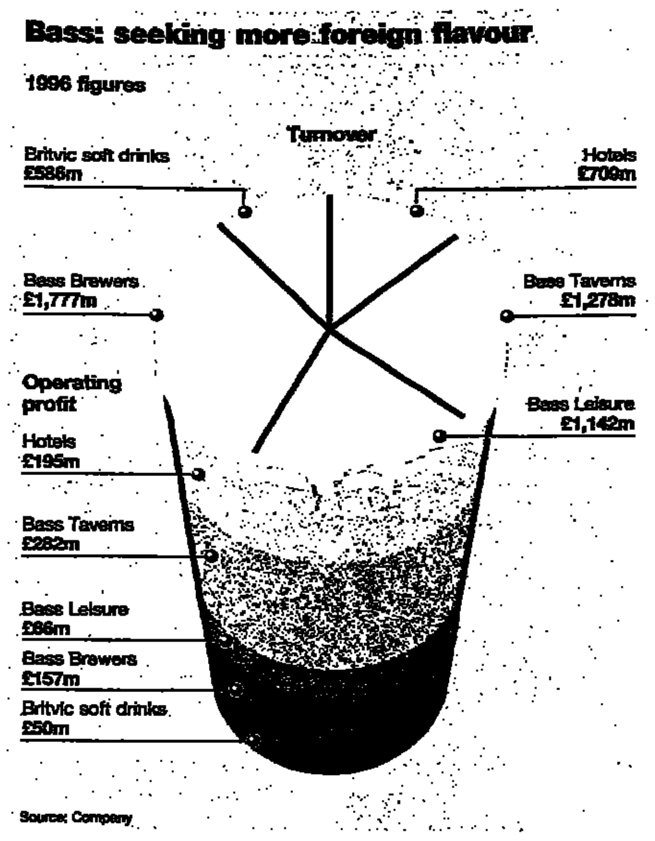
Bass executives insist the company has capacity for organic growth. It is a powerful force in the UK leisure industry. It brews more than one pint of beer in five consumed in Britain. Its brands include Bass ale, Carling and Tennent's lagers, and Caffrey's, a new nitro-keg beer.

It also owns 4,200 pubs. Of these, about 2,700 are run by managers; the remainder let to tenants. Although the government has capped the number of retail outlets the big brewers may own in an effort to promote consumer choice, Bass has responded by modernising its bars and developing themed chains, such as the traditional Harvester, the trendy All Bar One, and O'Neill's Irish bars.

Such redevelopment can multiply sales per pub fourfold to as much as £1m a year.

Bass: seeking more foreign flavour

1996 figures



Source: Company

But managing piecemeal investment programmes takes time. Bass invested £568m last year. To make better use of its balance sheet, it must make sizeable acquisitions now.

Picking possibilities is not easy. Over the past few years, Bass has started to exploit its brewing and retailing skills overseas. It has bought stakes in four Czech brewers that together command 29 per cent of the Czech market and have export potential.

It has also opened a joint-venture brewery in China and begun to develop the export potential of its Bass ale in the US, continental Europe and Scandinavia. But these initiatives have yet to affect profits.

In its international portfolio, Holiday Inn is a money-spinner. With a chain of 2,200 hotels in 64 countries, the US-based franchise-owner is already the largest hotel brand in the world.

Bass bought it in 1990. For the past two years, Bass has been seeking to improve the "kerbside appeal" of the hotels by demanding that when contracts come up for renewal, hotel owners improve appearance and quality standards, or quit.

Expansion of the chain in Europe and Asia, where franchising is less common, has also been slower than desired. Many analysts believe Bass may try to remedy that by buying a leading hotel company in Europe, and selling on the hotels to franchisees.

Others suggest Sir Ian may seize the opportunity to enter a new business area, such as contract catering, where growth is strong, and acquisition opportunities abound.

Bass could always reshape its balance sheet by buying back its own shares. But such ideas are battling for acceptance in UK boardrooms. With the strong pound an added advantage, an acquisition outside the UK still looks like Sir Ian's most likely solution.

Stena to review operations in attempt to cut costs

By Tim Burt in Stockholm

Stena Line, the Swedish ferry operator, yesterday announced a fundamental review of its operations in an attempt to cut costs, improve competitiveness and reduce operating losses.

The company, revealing first half losses of SKr535m ($67.1m), down from SKr556m last time, said it had appointed consultants to help draw up a wide-ranging restructuring plan.

Bo Lerenius, chief executive, said the review was "aimed at improving the results for 1998 through substantial cost cutting measures" and added that detailed proposals would be announced in the autumn.

The cost reduction measures could involve significant redundancies, adding to Stena's 215 job losses in the first half.

Mr Lerenius was speaking after Stena blamed continuing losses on uncertainty over the proposed merger of its cross channel routes with P&O and increasing competition on Irish Sea services.

The company expressed concern at the failure of the UK department of trade and industry to reach a decision on whether to allow its merger with P&O to proceed. Stena and P&O have been waiting for a decision from Margaret Beckett, trade and industry secretary, for several weeks.

Stena said the delay had caused a deterioration in its commercial position, particularly in the UK. "This has had an increasingly disruptive effect on the earnings trend in the second quarter," Mr Lerenius said.

Reduced volumes, price competition and lower on-board sales on Irish Sea routes also contributed to operating losses of SKr261m for the seven months to July 31.

However, that represented an improvement on the SKr332m operating loss reported last time, while group turnover rose from SKr3.97bn to SKr4.27bn. Losses per share increased marginally from SKr6.50 to SKr6.70.

The group said its performance had also been undermined by operational problems with two high speed ferries chartered for its Irish Sea services.

Mr Lerenius, however, said the full year figures would show an improvement on the SKr444m loss reported in 1996 – helped by a SKr150m profit on the sale of Harwich International Port earlier this month.

BT shares fall on news it is locked in to MCI deal

By Clay Harris in London

British Telecommunications shares fell by more than 5 per cent yesterday after the disclosure that it had dropped an escape clause from its revised merger deal with MCI Communications.

Analysts said the 22½p fall to 413½p, nearly wiping out the gain on Friday after a reduced offer was announced, also reflected concern that BT had agreed to pay MCI $750m if the UK company's shareholders failed to approve the new terms. The changes were among several in the revised agreement filed with the US Securities and Exchange Commission. Of the decision to drop a "material adverse change" clause, one UK telecoms analyst said: "Given that BT is supposed to have had the upper hand in negotiations, it is extraordinary that it let that sort of safeguard go."

He was especially concerned by the announcement on Friday that MCI might have to take "material charges" for 1997 as a result of possible steps "to improve financial performance and to continue to respond to the increasingly competitive environment in its core business". MCI told analysts the charges might run to hundreds of millions of dollars.

Another London-based analyst said: "Maybe this is the *quid pro quo*. Maybe this is the only thing MCI could retrieve from the situation."

An institutional investor in BT said in London: "BT feels that it has done a good deal, so perhaps it is showing good faith." In the US, one MCI shareholder said: "People have lost all confidence in BT as a buyer, and it needed to bring some stability to the market."

MCI yesterday was trading $1⅜ lower at $29¼, compared with the $31.50 value of BT's new cash-and-shares offer.

● Concert Communications Services, the two companies' existing joint venture, yesterday announced contracts with 13 multinational corporations to provide managed services.

It said their total value would exceed $135m over three years. The customers, from six countries, include Microsoft, Compaq, Sun Microsystems and Bear Stearns in the US.

BT to set up Belfast office, Page 6; Merging in haste, Page 9; Lex, Page 10

Maybank targets bad debts

By James Kynge in Kuala Lumpur

Maybank, Malaysia's largest commercial bank, sharply increased bad debt provisions in the year to June 30 1997, in what analysts said was a sign of caution over Malaysia's increasingly fatigued economy.

Amirsham Abdul Aziz, the bank's managing director, said that he expects loan growth in the current fiscal year to slow to 15-18 per cent from 25 per cent last year.

Although Mr Amirsham rejected suggestions that the economy was slowing, he said he expected the "strength of the bank to carry us through if there is any difficulty".

Bad debt provisions rose 71 per cent to M$521m (US$188m), in the year to June 30, against outstanding loans of M$45.3bn.

The bank is now making provisions three months after interest payments stop, compared with the previous six months. This will allow the bank greater security against any financial problems which may occur as a result of a slowing economy.

Mr Amirsham made the remarks while announcing the bank's full-year financial results, which were broadly in line with analysts' expectations. Group net profit climbed 23 per cent, from M$1.07bn to M$1.32bn.

Interest income rose 21 per cent from M$8.16bn to M$6.75bn. The interest margin during the year widened from 3 per cent to 3.15 per cent.

Earnings per share were up from 94 cents to 116 cents, and the final dividend climbed from 22 cents to 24 cents.

Mr Amirsham brushed aside a revision by Standard and Poor's, the international rating agency, of the outlook for Maybank's rating to negative from stable. The agency, which reaffirmed the existing Maybank rating, cited the slowing economy for the revised outlook.

Mr Amirsham said Standard and Poor's should have gone through "the figures" with the bank. Its revision was flawed, he said, because Malaysia's economy was not slowing down. "I think the economy should achieve 8 per cent [growth this year]," he said. Most analysts are predicting about 7 per cent growth.

Receivers put Commodore in liquidation

By Gordon Cramb in Amsterdam

Commodore, a name which helped pioneer the US home computing revolution in the 1970s, was declared bankrupt yesterday in its latest guise as a manufacturer and retailer of PCs primarily for the Dutch market.

Receivers shut the chain of 30 stores in the Netherlands, along with its assembly plant in a former Bols distillery at Nieuw-Vennep, near Amsterdam, after rescue talks failed.

The company emerged as a management buy-out from the assets of Germany's Escom, which itself was put into liquidation last year.

Escom had the previous year acquired the rights to the Commodore brand, which by the early 1980s was on more than 60 per cent of all PCs sold for home use in the US.

However, just as the original Commodore was forced to give way as industry giants such as IBM moved into its territory, neither Escom nor its Dutch incarnation could withstand the pricing pressures in the sector.

A planned takeover of Commodore by Tulip, another loss-making Dutch PC-maker, was abandoned a month ago. Hopes for its 300 staff rest on a possible purchase of parts of the business by Dynabyte, also a computer retailer in the Netherlands.

Commodore was relaunched by Bernard van Tienen, who had been head of purchasing at Escom. He planned to treble its 100,000 a year output of multimedia machines by marketing through high-street retailers across much of Europe, including Comet in the UK.

To keep overheads down, the company built to order, and debts were put yesterday at only Fl 70m ($34.2m). Alpinvest, the venture capital company recently floated on the Amsterdam bourse, owns 37.5 per cent of Commodore, but said its own loss from the bankruptcy would be "nearly nothing".

J. H. M. Dols, Alpinvest company secretary, blamed the collapse on tight margins which resulted in persistent loses and on sales that had not lived up to expectations.

Some former employees at Commodore believe Mr van Tienen's plans were over-ambitious. Staff numbers were cut from around 450 at the time of the buy-out, with many leaving voluntarily as they saw the direction in which the business was heading.

Tulip saw a takeover as offering it a top-10 position in the European PC market, covering models for professional as well as home use. Their combined share of the fragmented Dutch market was expected to be as high as 10 per cent.

It commissioned a study which showed that substantial costs could be saved by merging their operations. However, it later said that no final agreement could be reached.

Michelin regains world tyre lead

By John Griffiths

Groupe Michelin of France has regained from Bridgestone of Japan its position as the world's biggest tyremaker, measured by value of sales, according to European Rubber Journal, one of the industry's main trade publications.

Michelin lost the title to Bridgestone last year but has regained it as a result of the weaker yen and a substantial rise in the value of its 1996-97 tyre sales from $12.2bn a year earlier to $13.1bn, according to ERJ.

The magazine's independently-calculated data shows Bridgestone closely behind Michelin with sales of $12.9bn, followed by Goodyear of the US with sales of $11.7bn. The US tyremaker could stake its own claim to be "biggest" as it produces more units than either of its rivals. However, tyre prices and the intensely competitive market in North America leave it trailing in revenue terms.

ERJ's league table excludes sales revenue of tyre-related business such as automotive service, replacement parts, operations of company-owned rubber plantations and sales of other brands of tyres through company-owned retail networks. Such activities vary widely between companies, accounting from a few tens of millions of turnover to more than $1bn.

The performance of both Michelin and Bridgestone has been helped by acquisitions: Taurus, the small tyremaker with $120m in sales, and an Australian distributor with $50m sales lifted Michelin; Bridgestone was buoyed by the $120m sales of Firestone South Africa and an increased stake in Brisa – $298m sales – another tyremaker.

Between them, the three biggest companies control more than 53 per cent of the world tyre market, estimated at more than $70bn.

The survey ranks Continental of Germany fourth, with sales of $4.9bn; Sumitomo of Japan fifth with $4bn; Italy's Pirelli sixth with $3.1bn and Japan's Yokohama seventh at $2.6bn.

The next biggest players in the rankings, led by Toyo of Japan and Cooper of the US, have only about half the turnover of the smallest of the top seven.

New convert seeks to assure future

SA insurance group eyes UK listing as well as benefits of black empowerment

Old Mutual, South Africa's biggest life insurer and financial services group, has long been the envy of its local rivals. The mutual society is the single largest investor on the Johannesburg Stock Exchange, and controls net assets worth more than R156bn ($33bn). Its dominant position appears so entrenched that it has become routine for management to dismiss speculation that it could abandon the structure which has served it so profitably for 152 years.

Last week's announcement that Old Mutual plans to convert to a stock market listed company within two years is its first admission that the strategy on which its current position was built needs updating. The move will create one of the largest blue-chip listings on the Johannesburg Stock Exchange, and distribute shares to its 4m members.

Of these, a significant – although unquantified – proportion are black. The company estimates that 50 per cent of new members who have bought policies in the past three years are black, while employee pension funds administered on behalf of black workers and trade unions are "a substantial" minority of established business. As an exercise in black economic empowerment, the demutualisation is likely to create more black shareholders in South Africa than any acquisition yet by black entrepreneurs.

Empowerment is only one of several reasons for the decision, which took the Johannesburg financial community by surprise.

Mike Levett, chairman, cites "the ability to raise capital where and when we need it" and the benefits of "a more flexible group structure to take advantage of new opportunities" as further motives.

But with free reserves of R24.7bn at its last year-end in December, and annual premium income in excess of R22bn, the demutualisation is not comparable with others in the UK, Australia and the US, which have generally been driven by a shortage of capital. "There is no need at present for seeking external capital to finance and expand its current businesses," says Mr Levett.

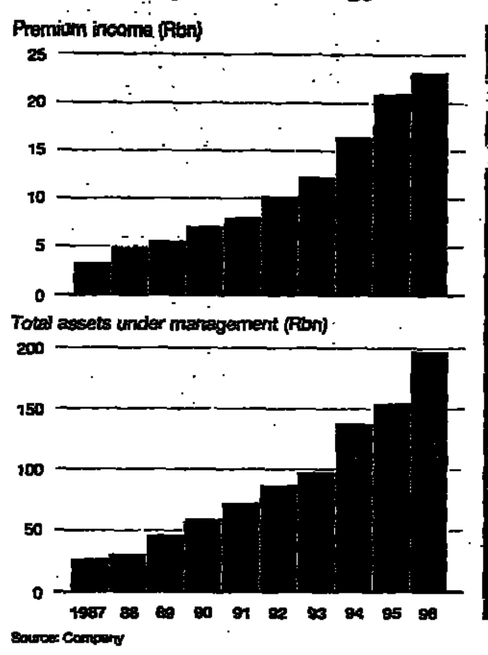
Analysts counter that the demutualisation is the first step towards a new kind of business built on a new international strategy, and – subject to approval by members and exchange control authorities – a UK listing.

It is also expected to herald a broader range of financial services. "Old Mutual is so big that under current exchange controls the only way they can expand meaningfully is to expand offshore," says Alan McConnochie, analyst at BoE NatWest in Johannesburg.

The society confirms it will take up a listing in Johannesburg, where analysts expect its market capitalisation will rival South African Breweries, the third-largest company on the JSE with a market value of R48.5bn. Although 90 per cent of its members live in South Africa, Old Mutual already operates in Guernsey, Hong Kong, Malawi, Namibia and Zimbabwe, and is likely to supplement its Johannesburg listing with listings on other African stock markets.

The move reflects the erosion of boundaries between different financial institutions, the proliferation of new products and the pressures of globalisation. "It [would have been] a bit strange, if you're going to be a financial services group, to offer all these products but still have a mutual society at the top of the pyramid," says Mr Levett.

Old Mutual, new strategy



Source: Company

Mike Levett, chairman

The same logic is set to prevail elsewhere in the industry. Sanlam, the society's biggest rival, is due to make a final decision on whether to demutualise next year. Founded as a mechanism for Afrikaner economic empowerment in 1918, it has made no secret of its plans to consider a stock market listing and last year appointed Tillinghast-Towers Perrin, an international consultancy, to advise on the process.

The creation of new black shareholders will also boost Old Mutual's political credentials – together with those of the JSE as a whole – in an economy obsessed by the pace of black economic empowerment. Although another black empowerment initiative is believed to be in the pipeline at Old Mutual, demutualisation will rid South Africa's largest insurer of the perception that it has lagged behind its other rivals.

Sanlam, in particular, has been a prime mover in promoting black economic empowerment. By unbundling its strategic industrial holdings, it has made a number of underlying companies, from Metropolitan Life, the biggest black insurer, to Grinaker, an industrial conglomerate, available for black ownership. Mr Levett describes demutualisation as "a massive empowerment exercise". While it will benefit all policyholders, the promise of future shares for new clients, who are still eligible to qualify, will carry particular appeal in the emerging black market.

If the society takes up an international listing, or uses its Johannesburg listing to acquire foreign assets with South African paper, it could also become the first South African society to secure unfettered access to international capital markets. The ability to offer generous share options to management may also stem the migration of skilled staff, whose loyalty is becoming increasingly expensive.

Their talent will be vital in guiding Old Mutual into prospective acquisitions offshore. Relatively high margins on insurance policies, a benign tax environment by comparison with other industries, and a fragile state welfare system fostered the growth of South Africa's life assurers in the era of isolation. Whether they will thrive in the more competitive international arena is another question.

Mark Ashurst

Philippines developer warns on loan rates

By Justin Marozzi in Manila

Megaworld, a leading Philippine property group, yesterday warned that the country's high interest rates could hit sales in the industry, adding to growing fears of a real estate bubble in the capital.

During the recent turmoil on the region's foreign exchange markets the central bank used a combination of punitively high interest rates and direct market intervention to defend the peso against speculators, before succumbing last month and letting the peso float.

The overnight rate has since been lowered, although many analysts believe there is more currency turbulence to come. "Developers cannot ... afford these high interest rates," said Andrew Tan, Megaworld chairman, stressing that the company had not yet been affected itself.

The group was offering mortgages at 14 per cent compared with the government's housing loans at about 24 per cent, he added. This was eroding the company's gross margin, but it could withstand a hit of up to 4 per cent.

Mr Tan said he was confident interest rates would calm within six to 12 months. "We are only in this situation now because Thailand is having problems, not because there is something fundamentally wrong with the Philippines ... it's just a spillage effect that will eventually settle," he said.

Rumours that Megaworld and Empire East, another local property group, were about to file for bankruptcy rattled the stock market in April, although both companies denied any serious financial difficulties.

Property groups, which represent 60 per cent of the local bourse by earnings, have led the market slide and remain out of favour with investors.

Yesterday the property index was 37 per cent below the market's all-time high on February 3.

"Devaluation has only worsened the situation for the property industry as a whole," said one property analyst in a foreign brokerage.

"Previously, our main concern was the impending oversupply. Now the interest rates are adding to the problem. First-half results for most property companies were sharply down and we expect that to continue," he said.

Although most property groups have low gearing, a narrow focus on high-end residential units and potential oversupply in at least one area of the capital have reinforced fears of a bubble.

Shares in Megaworld closed slightly down yesterday at 2.28 pesos.

Hopes pinned on pay-out

With its latest offer of a $2.4bn pay-out to settle breast implant litigation, Dow Corning is trying to put behind it an involvement with implants that began more than 30 years ago.

If it succeeds, Dow Corning, a joint venture between Dow Chemicals and Corning, could emerge as a viable business again.

Breast implants only ever accounted for about 1 per cent of sales. The company remains one of the world's leading manufacturers of silicon-based products, including sealants and the material used in silicon chips. Last year, Dow Corning made net profits of $221.7m on sales of $2.53bn.

But the success of its latest settlement plan is not assured. It needs the approval of the claimants, the creditors, and the bankruptcy court. Other plans have failed in the past, and the Tort Claimants Committee, a body representing claimants, called the latest scheme "inadequate and unfair".

Dow Corning started selling silicon breast implants in the early 1960s for reconstructive surgery, but by the late 1970s a majority were being used for cosmetic purposes.

The litigation environment has changed in favour of the implant manufacturers. The courts have been throwing out about 80 per cent of claims.

More than 1m American women – plus many overseas – had implants made from Dow Corning products.

Problems began in the early 1980s when women fitted with its implants started suing the company, claiming that the silicon gel in the implants had leaked into their bodies and caused auto-immune disorders ranging from aching joints and fatigue to lupus and scleroderma.

Other suppliers including Bristol-Myers Squibb, Baxter Healthcare and 3M, faced lawsuits, too.

But Dow Corning was by far the biggest supplier and faced the brunt of the litigation. In the early stages, little was known about the safety of implants and juries started awarding multi-million dollar sums.

This, in turn, prompted a wave of further lawsuits: and in 1995, already having stopped making silicon breast implants three years earlier, Dow Corning caved in and sought Chapter 11 bankruptcy protection to freeze the litigation pending a settlement.

Since then, the litigation environment has changed in favour of the implant manufacturers. Numerous scientific studies have failed to establish that the incidence of auto-immune illnesses is any higher in women with implants than in those without them. The courts have been throwing out about 80 per cent of claims.

Even so, the vulnerability of the manufacturers was reinforced last week when a court in Louisiana, considering the first class action suit against the industry, found that Dow Chemical – a 50 per cent owner of Dow Corning – had deceived women by concealing the health risks.

It is against this background that Dow Corning is trying to close the door on its litigation liabilities forever. It is proposing to pay out $2.4bn to the estimated 379,000 people in the US and overseas who have claims. As part of its reorganisation, it also plans to pay out $1.3bn to its creditors.

Women who vote in favour of the plan will be presented with a choice of settlement options ranging from $650 for an "expedited" claim requiring little evidence to $200,000 for women claiming serious illness, even though Dow Corning denies that its products are to blame.

Those who want individual trials can vote against the settlement: but they will be taking a gamble, because before their claims are heard, a common trial will determine whether science supports the claim that implants cause disease.

Richard Tomkins

INTERNATIONAL NEWS DIGEST

Cofir trebles in first half

Cofir, the listed Spanish holding company formerly controlled by Carlo De Benedetti, the Italian financier, trebled first-half consolidated net profits to Pta1.12bn ($7.3m) in spite of a fall in financial income. Gross operating profits rose 69 per cent on the same period last year at Pta3.68bn.

The group said the recovery vindicated its switch in strategy since the end of last year, with the focus now on hotel and wine businesses rather than Mr De Benedetti's aim of a diversified conglomerate.

The results were helped by strong growth in its two main businesses, based on NH Hoteles and the Berberana wine group, and by the divestment of its troubled retail interests. The group reinforced its wine holdings earlier this year with the acquisition of Bodegas Martins, and in June it took full control of NH by agreeing to buy the 34 per cent still held by the hotel chain's founder, Antonio Catalán. Mr De Benedetti sold his 48 per cent stake in Cofir to institutional investors last December for Pta16.2bn. *David White, Madrid*

■ MALAYSIAN TOLL ROADS

Review hits UEM shares

Shares of United Engineers Malaysia, one of Malaysia's main toll road operators, plunged yesterday as it emerged that the government is reviewing whether some toll road tariffs are too high. UEM shares fell M$1.8, or 12.24 per cent, to M$12.9. The wider market was also depressed, falling 3.16 per cent to its lowest level since October 1993.

The negative sentiment for UEM was triggered by remarks from Anwar Ibrahim, the deputy prime minister and finance minister. "There are numerous public complaints," Mr Anwar said. Asked whether toll charges could be reduced, he said: "There is a possibility but the thing is, it is still being studied." A review of toll tariffs is to be made shortly by the government, taking into account complaints by the public and by businesses which maintain that rising toll rates are one of several factors endangering Malaysia's manufacturing competitiveness.

UEM runs the 48km toll road connecting the North Klang Expressway, near Kuala Lumpur, and the North South Highway, which runs the length of peninsular Malaysia. It is also involved in the construction of the second link to Singapore, which is due to be completed early next year. *James Kynge, Kuala Lumpur*

■ ALUSUISSE-LONZA

Profits climb 8% at midway

Alusuisse-Lonza, the Swiss chemicals, packaging and aluminium producer, yesterday announced an 8 per cent increase in net profits to SFr223m ($149m) in the first half of 1997 from SFr207m a year earlier. Operating income rose from SFr313m to SFr369m, while sales advanced from SFr3.55bn to SFr4.42bn.

Alusuisse attributed the rise in operating income to a strong performance by its aluminium business, coupled with a "satisfactory" output from the packaging division. However, Alusuisse said "difficult trading results" prevailed in the chemical division.

In July, the group announced a restructuring which led to the designation of some businesses, worth about SFr800m a year in sales, as non-strategic and candidates for divestment. *AP-DJ, Zurich*

■ MEDIA

Bertelsmann sells paper arm

Bertelsmann, the German media group, yesterday announced the sale of its paper manufacturing and distribution business to a group of investors lead by CVC Capital Partners, a pan-European venture capital company.

The disposal, which had been expected, concerns Bertelsmann's Italian subsidiary, Cartiere Holding Industriale, which has a paper factory at Lake Como and distribution companies in Germany, France and the UK. The management of Cartiere Holding is also involved in the acquisition. The Rome-based company employs 600 people and has sales of around DM400m ($219.75m). A price for the deal, which was largely financed in London, was not disclosed.

Bertelsmann, the world's third-biggest media company, decided to sell its paper business, which it bought when paper prices were high and supply uncertain, as it was no longer deemed essential to the group's activities. Bertelsmann is currently concentrating its efforts in the areas of media, entertainment and publishing. *Frederick Stüdemann, Berlin*

■ BEVERAGES

Carlsberg quiet on Coca-Cola link

Carlsberg, the Danish brewer, yesterday declined to comment on expectations that the European Commission was ready to clear a Nordic joint venture with Coca-Cola. A source close to the negotiations in Brussels earlier said the Commission was set to approve the alliance after the two sides had offered concessions to meet its competition concerns.

"Before a final EU ruling is delivered, Carlsberg does not wish to comment on the issue, but we are confident regarding the final outcome," the brewer said. The joint venture – Coca-Cola Nordic Beverages – will bottle, sell and distribute the US beverage company's products first in Denmark and Sweden and then throughout the Nordic and Baltic regions. The source said the concessions concerned "minor brands" that were due to be transferred to the joint venture but which would now "be kept outside".

The Commission expressed concern in May that the venture would create or strengthen a dominant position in Denmark and Sweden, prompting Brussels to open a full probe. A final decision is expected on September 10. *Reuters, Copenhagen*

■ HOTELS

Hilton in legal move against ITT

Hilton Hotels has asked a federal judge in Nevada to grant an injunction to block plans by ITT, the hotels and casino group, to break itself up to fend off an $8.3bn takeover bid by Hilton. Hilton filed a 34-page legal brief in its pursuit of a $70-a-share hostile bid for ITT. Hilton also asked the court to hurry as ITT intended to carry out its defence plan by mid to late September. It said ITT's plan to split into three companies and set up a series of takeover protections without a shareholder vote was illegal.

The court challenge is seen as a last resort by Hilton in its efforts to pursue the takeover. *AP-DJ, Los Angeles*

■ MAGAZINES

ACP takes control of joint venture

Australian Consolidated Press – a unit of Publishing and Broadcasting (PBL), which is owned by Kerry Packer – has bought the remaining 50 per cent of its three-year-old joint venture ACP-Syme Magazines. ACP-Syme publishes 14 magazines including Wheels, Motor, Street Machine and Inside Football.

ACP, Australia's largest magazine publisher, will merge ACP-Syme with its Trader Group to form ACP Action. The new group would also take over responsibility for the ACP titles Rugby League Week and Inside Edge, ACP said. *Reuters, Sydney*

هكذا من الأصل

Gencor ends era with 41% advance

By Mark Ashurst in Johannesburg

Gencor yesterday marked the end of a century as a traditional South African mining house with its last results as a diversified metals and minerals group.

The figures for the year to June, when Gencor demerged its base metals from its precious metals operations to form two new companies, were at the upper end of expectations. They will form the basis of analysts' forecasts for Billiton, the new London-listed base metals company, which joined the FTSE 100 in July.

Group net profit rose 41 per cent to a record R2.11bn ($449.7m), helped by a 73 per cent increase in contributions from Alusaf, the primary aluminium producer and a big part of Billiton.

Earnings per share were 21 per cent higher at 124.8 cents.

The total dividend increased by 20 per cent to 30 cents a share, double the level of three years ago.

Brian Gilbertson, chairman, said the results signalled "the lowering of the curtain on the old Gencor".

The Billiton listing on July 28 raised £913m new capital.

Aluminium, the core of Billiton, contributed R878m, or 40 per cent of total group income, due largely to the buy-out of minority interests in Alusaf, which reached full capacity during the period.

A strong performance from Richards Bay Minerals, the titanium minerals producer and now part of Billiton, increased its contribution 83 per cent to R451m.

Income from coal rose 118 per cent to R292m.

Steel and ferro alloys, another part of Billiton, reported a lower contribution of R127m, compared with R299m previously. This followed a year of adverse trading conditions.

Gencor netted an exceptional R1.05bn from the disposal of its remaining stake in Malbak, the consumer group which was unbundled this year from Sanlam, the life assurer that was Gencor's parent until 1994.

The Johannesburg market has reacted less warmly to the new Gencor, which retains the old group's precious metals assets and is believed to be the world's only listed gold and platinum combination.

The new share has traded at a discount of 35 per cent to the directors' estimate of net asset value, which Mr Gilbertson described as "absolutely crazy".

Shareholders had received one new Gencor share for every five shares in the old group, which resulted in an effective dividend of 107.5 cents a consolidated share.

Analysts said the market was nervous in the wake of the weak gold price, and sentiment had been further depressed by the collapse of the proposed sale of gold assets in South Africa and Ghana to Eldorado, the Canadian gold producer.

Faysal set for Darwinian struggle

The private Pakistan bank faces stiff competition from a reformed public sector

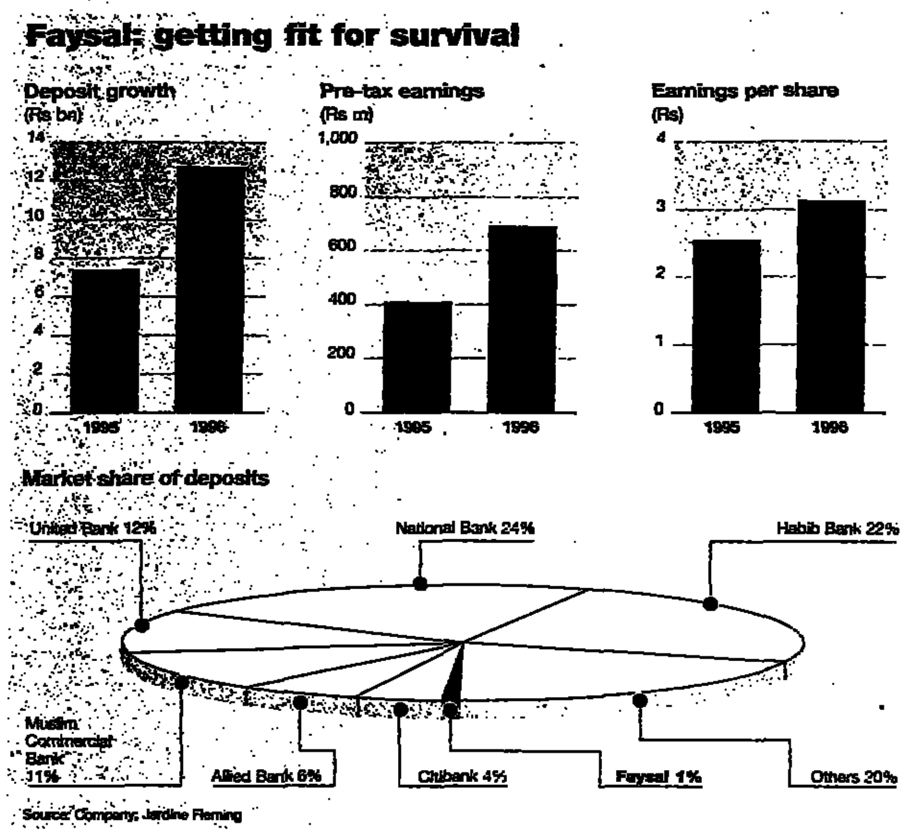
Pakistan's somnolent banking sector, dominated by the big four nationalised banks, scarcely appears a study in competitiveness.

Almost a third of the four public banks' assets are non-performing, 30 per cent of their branches are unprofitable, and, by most counts, the banks employ twice the staff they need.

But according to Muneer Kamal, general manager of Faysal Bank, the sector is braced for a Darwinian struggle.

Karachi-based Faysal – the biggest of Pakistan's newer private banks – saw its deposits grow 70 per cent last year to Rs12bn ($300m). Assets climbed 68 per cent to Rs32bn, while net profits were up 36 per cent to Rs382m.

Mr Kamal says the three-year-old private Islamic bank cannot afford to let this pace slip. "The financial sector is changing very rapidly in this country," he says. "In three years it will change beyond recognition."



Source: Company; Jardine Fleming

The reason is Pakistan's programme of banking reform, aimed at revitalising the sector. Encouraged by the World Bank, the programme includes the privatisation of Habib Bank, Pakistan's biggest, efforts to clear out bad debts and excess staff, and management changes at Habib and United Bank, the country's third-biggest.

Shaukat Tarin and Zubayr Soomro, recently appointed to head Habib and United banks respectively, have already begun sweeping changes. Mr Kamal says: "The smaller banks will have to do some very fancy footwork to survive. Shaukat Tarin is going to kill the competition. He's a banker who understands what a big balance sheet is."

As Mr Kamal sees it, Faysal Bank is racing to consolidate its deposit and client base in time to compete with revitalised and much bigger public-sector banks. Habib, for instance, had assets of Rs336bn in 1995 – 10 times Faysal's current assets.

Mr Kamal reckons the private banks, which emerged after the 1991 liberalisation of the sector, have roughly two years to get in shape.

Analysts agree, arguing that only one or two of the private institutions are likely to survive. Many, including ING Barings and Jardine Fleming, put Faysal at the top of the list – but it will be a tough battle.

"The reforms are going to make the nationalised commercial banks leaner, meaner and more efficient," says Jahanzeb Naseer, head of research at Jardine Fleming in Karachi. "And, because they have lots of branches, the pressure on their deposits is not so great – but the margins for private banks are going to come under pressure."

Among Faysal's advantages is a gilt-edged Gulf heritage. The bank began in 1987 as a Pakistani branch of the Bahrain-based Faysal Islamic Bank (FIB), an offshore banking unit run under Islamic *shari'a* banking principles.

When the group decided to expand in Pakistan in the early 1990s, its only option was to create a local bank. A 1994 public offering established Faysal as a Rs1.9bn capitalised bank, held 60 per cent by FIB and 40 per cent by Pakistani institutions and individuals. Through subsequent accretions to reserves, the bank's capital now stands sits at Rs2.4bn.

Mr Kamal sees the leveraging of this capital base – the sixth-biggest of any Pakistani bank – as a priority. "We are still over-capitalised," he says.

Mr Kamal has drafted in a new risk management team, tightened the monitoring of sectoral lending and diversified the bank's portfolio. Only 14 per cent of lending is now in textiles, compared with half in the early 1990s, while lending has been increased to oil, gas and power businesses. Non-performing loans comprise just 5-6 per cent of the bank's present book, against about 30 per cent for the public-sector banks.

Mr Kamal expects Faysal to be fully leveraged by 1999, and believes there are many good corporate lending opportunities, even given Pakistan's present industrial malaise. The bank is also looking cautiously at opportunities for consumer lending, still an immature sector in Pakistan. But, he says, "the real challenge lies on the liabilities side".

While the public-sector banks each have hundreds of branches, Faysal has just 11. Moreover, the bank has to offer depositors a better return, thus placing greater pressure on margins. Operating costs are lower – Mr Kamal says the bank earns Rs3 for every Rs1 of expenses against a ratio of one-to-one in the public sector – but, with far fewer branches, the bank must work the harder to win depositors.

"The key is service," he says. "And that means appropriate investment in technology." Faysal, which plans investment of $5.5m in technology, has the advantage of starting from scratch, without having to retrench staff displaced by new technology. Faysal's total staff is 354. Habib Bank, by comparison, is currently facing the problem of losing 8,000-15,000 from its 30,000 staff.

Mr Kamal believes Faysal is on track. Deposits next year should grow 35 per cent, he says, with assets reaching Rs40bn in two years.

ING Barings recently voted Faysal's management "one of the best in Pakistan". But not all the new banks on the block are expected to weather the next few years; and if they do not, some suggest it could be because the ambitious Faysal Bank might decide to lean on its wealthy Gulf sponsors a little and swallow some of its smaller competitors.

Mark Nicholson

Holter continues to hold back ANI

Australian National Industries (ANI), the heavy engineering group, said yesterday its core metals and engineering businesses improved their performance in the year to June 30, although the overall result continued to be affected by the Holter business in Germany, Reuters reports from Sydney.

ANI, which announced an annual net profit of A$30.75m (US$22.96m), compared with a A$213.19m loss in 1995/96, said all of its metals and engineering businesses had achieved higher operating profits with the exception of Comsteel and mineral processing.

Abnormal losses, driven by Holter, fell from A$198.55m last year to A$25.80m.

The company said "a number of initiatives" were undertaken during the year to stem losses at Holter and it has made "significant progress" in rationalising the business.

It said the sale of Holter units, which realised A$144m, had reduced its asset base in the Holter environmental engineering business by A$121m to A$109m at the end of June.

The move did not include the sale of two Holter units in Berlin which have been announced since the end of the year. This would raise about A$70m.

The company, which increased sales by 4 per cent to A$2.05bn, said the key Australian market could best be described as patchy, with the modest improvement in the first half not continuing into the second six months.

In the UK, ANI Aurora operations were relatively buoyant; in the US there was continued market growth for structural tube products even though second-half prices eased due to capacity factors.

ANI did not forecast 1997/98 earnings but said it had a relatively subdued market outlook.

INTERNATIONAL NEWS DIGEST

Stork shares up on strong half

Stork, the Dutch industrial services group that last year took over the parts and maintenance division of the failed Fokker aircraft maker, yesterday projected a "strong increase" in 1997 net profits. On the Amsterdam stock market, where the phrase is understood to mean growth of 20 to 30 per cent, its shares jumped 3.75 per cent to Fl 85.70.

First-half results yesterday were distorted by a change in the reporting system. Net profits of Fl 65.4m ($31.9m) were 61.8 per cent higher than the year-earlier period which was a fortnight shorter. Earnings per share were Fl 2.14, compared with Fl 1.35 for January to mid-June 1996 and Fl 4.58 for the full year. Fokker Services and Fokker Aviation were described as having made good contributions. But Stork said a substantial loss was incurred by its own mechanical engineering activities abroad, which are being shed or reorganised.

Gordon Cramb, Amsterdam

■ PAPER

Westvaco bucks Wall Street fall

Westvaco, the New York-based paper and speciality plastics group, saw its shares rise strongly against the trend on Wall Street yesterday, after publishing results ahead of analysts' expectations. By midday the shares had gained $1½ to $34¼. In a bullish report, the company strengthened market sentiment that the paper sector is recovering from a terrible 12 months, caused by falling commodity prices and excessive supply. Westvaco said it was experiencing "early recovery" in its linerboard and coated paper businesses, while demand was "good" at its other business units. John Luke, chief executive, said prices remained "well below peak levels despite recent improvement", but added that "market indicators point toward more improvement ahead".

Revenue for the nine months to July was $2.21bn, down from $2.28bn. Profits are also lower, with net income for the quarter of $37.5m, down from $43.6m. Earnings per share were 37 cents, compared with 43 cents.

However, Westvaco said the fall was almost entirely attributable to the rebuilding of a fine papers machine in Luke, and a new carbon plant in Kentucky, which between them reduced earnings per share by 6 cents. The consensus of analysts polled by First Call, the research organisation, had expected earnings per share of only 36 cents.

John Authers, New York

■ COMPUTER GAMES

Sony arm lifts PlayStation output

Sony Computer Entertainment, a unit of Sony, is to increase monthly production of its PlayStation game console to two million units from the current 1.5m from October. The company said the increase was needed to cope with increased demand expected in the year-end shopping season.

Reuters, Tokyo

■ INSURANCE

Fondiaria confirms unit merger

Fondiaria Assicurazioni, the Italian insurance, financial and property group, yesterday confirmed it was planning to incorporate its insurance business Previdente Assicurazioni into Milano Assicurazioni, another insurer. The company said both Previdente and Milano would call board meetings next week to review first-half accounts and merger plans. An earlier report said that Fondiaria could achieve L300bn ($169m) in synergies from the merger. Speculation on such a merger increased after Roberto Gavazzi became Fondiaria's new chief executive this summer.

Agencies, Milan

■ CONSTRUCTION

GMD faces $629m toll road loss

Grupo Mexicano de Desarollo (GMD), the Mexican construction company, said it faced a potential loss of $629m from its troubled toll road system. Mexico's toll highways are the focus of a $2.4bn government bail-out programme after a botched 10-year experiment with privatisation.

GMD said preliminary figures showed it would receive 2.46bn pesos ($309m) under the programme. "This preliminary amount will correspond to the payment of all outstanding accounts receivable, according to the preliminary information provided by the Communications and Transport Ministry," it said. The company did reveal in what quarter the loss would be incurred.

The company's total toll road investments were 7.50bn pesos as of June 30.

Reuters, New York

Sales of securities help Scotiabank jump 40%

Bank of Nova Scotia said yesterday record gains from the sale of investment securities sparked a 40 per cent jump in third-quarter net income, Reuters reports from Toronto.

Canada's fourth-largest and geographically most diverse bank reported net income of C$384m (US$275.9m) in the three months ended July 31, up from C$275m a year ago.

On a per share basis, third-quarter earnings climbed from C$1.04 a share to C$1.51; return on equity soared from 16 per cent to 20.3 per cent.

The third-quarter results included C$170m gains from the sale of investment securities to take advantage of strong equity markets.

"These gains were substantially higher than the quarterly average of C$35m realised over the past few years," the bank said.

Using this quarterly average, third-quarter net income would have been C$307m, or C$1.19 share. Return on equity would have been 16.1 per cent.

The consensus earnings estimate from analysts was C$1.20 a share.

Peter Godsoe, Scotiabank chairman and chief executive officer, said: "All of our business lines – retail and commercial banking, corporate banking, international banking and, in particular, investment banking – contributed to our strong results."

Scotiabank is the biggest foreign bank in the Caribbean and one of the most active in Central and South America.

Last month it paid C$360m to lift its stake in Argentina's Banco Quilmes from 25 per cent to 100 per cent – adding to bank holdings in other countries including Mexico, Costa Rica and Chile.

Scotiabank's net interest income rose 11 per cent to C$924m in the quarter, reflecting a strong economy and growth in consumer mortgages.

"We saw increases in most revenue categories, with good loan growth in both domestic and foreign markets," Mr Godsoe said.

Big gains on the sale of securities and higher underwriting fees and brokerage commissions helped non-interest income jump 39 per cent to C$711m.

Non-interest expenses rose 14 per cent to C$911m, due mainly to performance-linked compensation and technology costs.

Fresenius buys Caremark units

By Graham Bowley in Frankfurt

Fresenius, the fast-growing German health products group, yesterday stepped up its international expansion with the purchase of the European and Canadian home-care business of Caremark International, the US group.

The move intensifies Fresenius's push into out-patient healthcare products and services. The Caremark businesses in the UK, the Netherlands, Canada and Germany had sales last year of DM122m ($67.7m), with around 315 employees.

Matthias Schmidt, head of the pharmaceutical division of Fresenius, said the European out-patient healthcare market would grow strongly in the next few years.

"With the takeover of the Caremark divisions Fresenius is developing new home-care markets and is strengthening the supply of services," he said.

For Caremark, it is its latest step in concentrating on the US market. In March this year it sold its French out-patient business to Fresenius.

Last week, Fresenius reported net profits had more than doubled in the first half of this year to DM116m. It attributed this to previous acquisitions, strong gains in its core business and the inclusion of Fresenius Medical Care, formed last year after it bought National Medical Care of the US.

Fresenius said its dialysis services business was growing faster than the overall market. The shares yesterday closed down DM5 at DM330.

Business data sales in US and Europe lift VNU

By Gordon Cramb in Amsterdam

VNU, the Dutch publisher, yesterday produced interim net profits of Fl 176m ($88m), a rise of 23 per cent, and said it expected full-year growth "slightly above" that rate.

Business information activities in Europe and the US yielded the most growth. Educational publishing, its smallest division, operated at below 1996 levels but consumer magazines, the biggest unit, showed a 21 per cent gain in operating income to Fl 109m. Losses were eliminated in commercial broadcasting.

The company said development costs across all sectors were substantially higher, and that during the six months to June it had spent Fl 380m on acquisitions.

The net earnings figure, however, excluded a Fl 21m after-tax gain on the sale of Automated Catalogue Services in the US. This brought attributable profits to Fl 197m against Fl 143m.

VNU's forecast means that for all of 1997, profits from ordinary operations should be more than Fl 389m. In spite of this, and a first-half outcome towards the upper end of analysts' expectations, its shares fell Fl 1.40, or 3 per cent, to Fl 44.10.

Without the benefit of favourable currency movements, net earnings would still have grown 20 per cent. Revenues were 13 per cent ahead at Fl 1.85bn, and the operating margin improved to 13 per cent from 12.3 per cent.

Newspapers edged up operating profits from Fl 49m to Fl 53m. In business information, its US activities contributed Fl 71m, a rise of Fl 10m, and the counterpart European unit rose from Fl 24m to Fl 37m. Broadcasting and entertainment, where VNU has holdings in Dutch and Flemish channels, turned in Fl 4m profits on revenues of Fl 148m, compared with a Fl 6m loss.

Responsibility devolved from one to four managers in bid to improve performance

MAM reorganises UK equities fund

By Jane Martinson, Investment Correspondent

Mercury Asset Management, one of the UK's leading fund management groups, has reorganised its largest UK pooled equity fund in a bid to improve its recent poor performance.

In a surprising break with tradition, MAM has devolved responsibility for most of its £2.9bn ($4.72bn) actively managed fund from one fund manager to four.

The changes in Mercury UK Equities, or MUKE, come after the fund underperformed the FTSE All-Share by 10 percentage points in the year to June 30. The fund's 12.7 per cent return placed it 57th out of 75 similar funds surveyed by Combined Actuarial Performance Services. The market returned 22.6 per cent in the period while the average fund achieved a 20.4 per cent return.

The more rigorous controls set up under the new MAM regime are an attempt to prevent this level of underperformance, according to one industry consultant. "They want to make it more conservative as they never want to have 10 per cent underperformance again."

Under the new structure some 60 per cent of the fund will be managed by four senior managers. The companies they will invest in are likely to be common to Mercury as a whole and recommended across the group's funds. This change is intended to limit volatility and potential downside.

The rest of MUKE's assets will be managed by a smaller company expert and a senior fund manager with greater flexibility in his investment approach.

One consultant described the changes as a move to reflect "Mercury the house and not Joe Bloggs the individual".

Ms Carol Galley, who is responsible for the company's UK institutional division, is one of the UK's best known fund managers.

The changes to MUKE follow the appointment of Mr Keith Mullins, the highly respected former head of MAM's smaller funds group, as senior investment officer of Select, which includes MUKE. He replaced Mr John Richards this summer after the latter left to join Ms Nicola Horlick at Société Générale Strauss Turnbull. The change was described by a consultant as replacing the "lead soloist with the conductor of an orchestra".

Historically, each Mercury fund has been run by one senior fund manager although it prides itself on its teamwork culture.

The past year has dragged MAM's performance below the average for the past three years although on a five yearly basis the group came 16th out of 59 funds.

Lloyds takes its leave of a private function

British banks' German forays have enjoyed mixed fortunes, says Christopher Brown-Humes

The sale by Lloyds TSB of its 90 per cent stake in Schröder Münchmeyer Hengst may be the first sign that British banks' enthusiasm for the German private banking market is starting to wilt.

That is not, of course, how Lloyds TSB puts it. It yesterday said it was selling a non-core business rather than a non-successful one.

But UK banks have had mixed success with their modest forays into German private banking, in spite of their ambition to build their operations in the broader German banking market.

Midland was the first UK bank into the market, buying Trinkaus & Burkhardt from Citibank in 1980. Lloyds followed with its 1984 purchase of SMH. In 1990 Barclays bought Merck, Finck for an estimated DM500m ($271.7m), near the top of the market.

Lloyds certainly struggled with its acquisition in the early days, but it was buying the operation for its turnround potential and hence paid a nominal sum for it. By the time of yesterday's sale, it had built SMH into a much stronger business.

Barclays, however, has struggled with Merck, Finck. The problems have included the German bank's relatively small size, its lack of diversification, bad loans and cultural differences. It suffered heavy losses in 1992 – although they were tiny in the broader context of Barclays' performance. Barclays was obliged to inject additional capital.

Michael Klein, analyst with Delbrück & Co, a private bank in Frankfurt, estimates Merck, Finck would attract less than the DM350m which UBS is paying for SMH. "Merck, Finck is too small and too concentrated on business with private clients. BZW [Barclays' investment banking arm] has a good name in its own right in Germany. It doesn't make sense to own Merck, Finck," he says.

But Barclays gives no indication of selling: "Merck, Finck is part of the group and we continue to invest in it," says an executive. Barclays says the bank's provisions have fallen and its performance is improving after restructuring and systems modernisation.

Midland, which owns 73 per cent of Trinkaus, has enjoyed greater success. Herbert Jacobi, Trinkaus managing partner, believes this is partly because the bank has been run as a standalone company. Some would contrast that with the strategy of Barclays, which took a more hands-on approach.

Another difference may be that, in contrast to Merck, Finck, which is 100 per cent owned by Barclays, the partners in Trinkaus have stakes in the company – as indeed did the partners in SMH. This makes for a curious blend of a partnership and a public company run by personally liable partners. British banks have had occasional problems in exerting control over businesses whose managements have been used to the partnership tradition and to being strongly independent.

Last year, Trinkaus made pre-tax operating profits of DM151m, against DM125m the previous year. Its current market capitalisation – it was floated in 1985 – of DM1.8bn is more than five times what Midland paid for it. Mr Jacobi believes the performance has been helped because Trinkaus has deliberately played down its non-German ownership in some areas of its business.

Mr Klein cites Trinkaus's greater size, its diversification and new product skills as reasons for its success. But while Merck, Finck is run separately from BZW, in some investment banking areas Trinkaus is the public face of HSBC, Midland's parent, in Germany. And that, the company says, is how it will stay.

"With the advent of European monetary union and the euro, Trinkaus is going to be our gateway into Europe in areas like payment and cash management," says Shaun Wallis, Midland's European head.

Peter Faes (left), head of UBS Germany, at a news conference in Frankfurt yesterday with Ulrich Schnetté of SMH Reuters

Change of name game at the Concert party

By Clay Harris

British Telecommunications could merge with MCI Communications, yet see "Concert" bite the dust.

An unlikely outcome, but one which could happen under the companies' revised merger agreement filed with the US Securities and Exchange Commission in Washington. BT now requires fewer votes to approve the merger than to change the company's name.

In its effort to dodge any remaining obstacles, BT will only require a simple majority of votes cast to approve its revised offer for MCI at an extraordinary meeting due to be held before the end of the year. The previous merger agreement specified a 75 per cent majority, which BT easily achieved in April, but this time it is taking no chances.

Three-quarters' approval will still be required to change the name of the merged company to Concert, give routine authority for share buy-backs, and amend its articles of association.

A BT adviser said the change was a "technical matter". The merger itself had never required more than a simple majority. For simplicity, it was initially included in a composite resolution of which some elements had needed 75 per cent.

The procedure for MCI's shareholder vote on the revised terms has also been changed to make approval more likely.

BT's 18.7 per cent stake in the US company is held in a separate class of A shares – ranking equally with common shares. The first time around, each class voted separately. Now they will vote together, so BT's block vote – now officially committed to vote "yes" – gives MCI's management a head start in its effort to win approval.

Lex, Page 10

3i quadruples fund and expands range

By Katharine Campbell, Growing Business Correspondent

3i, the UK's largest provider of equity to unquoted companies, yesterday announced the quadrupling of a fund, launched in the spring, targeted at smaller management buy-ins and buy-outs.

While many UK private equity specialists have been raising funds directed towards much larger buy-outs, 3i is concentrating on the medium and smaller end of the market, which it claims is less competitive and better value.

Nederlandse Participatie Maatschappij, a Dutch investment manager, is investing £50m ($81.5m) and a UK pension fund – understood to be Rover – is doubling its commitment to £50m. With 3i's own money, the fund rises to £250m from an original £62.5m.

Its target range has also been expanded so that the money will be invested in buy-outs with total funding of up to £15m – compared with a threshold of £10m at launch.

Neil Harding, a 3i fund manager, said the group was doing about 20 transactions a year in the sector in cases where it takes a majority stake, investing an average equity component of £4m. He said that the fund had already completed half a dozen deals.

He denied that it was either increasing its overall pace of activity or paying excessive price/earnings multiples.

He said that the enlarged fund reflected a shift in how the group structured deals. "In the past, we either took minority stakes or syndicated to our competitors". He said the smaller end of the buy-out market had become less competitive as other private equity specialists were raising much larger funds and concentrating on bigger deals. "That is making more space for us".

While the fund has no fixed life, both investors have made commitments of up to four years, and Mr Harding expects the fund will be spent in two to four years.

Separately, 3i and NPM are exploring other kinds of co-operation including investing together in the Dutch market. They are also considering ways in which the UK companies with significant activities – or ambitions – in Benelux countries can make use of NPM's extensive Dutch network.

Irish Permanent ahead to I£26m

By Roger Taylor

Growing immigration to the Irish Republic and a strong property market were behind higher interim profits from Irish Permanent, the country's biggest mortgage lender.

Diarmuid Bradley, general manager of strategic development, said the Irish mortgage market, of which Irish Permanent has about 20 per cent, remained strong and orderly, helped by demographic influences which were driving up house prices by 12-15 per cent a year.

He added that although competition was intense, there had not been the heavy discounting seen in the UK.

Shane Nolan, analyst with NCB, the Dublin-based broking subsidiary of NatWest Markets, said: "The Irish property market is being driven by strong fundamentals.

"In the past two or three years, as the economy has strengthened, the country has seen a shift from net emigration to net immigration with a gain of 25,000 people last year."

He added that a babyboom is forecast to lift the number of 20-35 year olds by about 30 per cent between 1990 and 2006.

Mr Bradley said these factors had helped the company report a 12 per cent increase in interim pre-tax profit to I£25.9m ($38.8m) for the first half of the year. Net interest income increased 9 per cent to I£53m on group assets up 14 per cent at I£5.6bn.

Provision for bad and doubtful debts was unchanged at I£1.4m.

The company said the balance sheet remained strong with a capital ratio of 10.9 per cent. Income from other operations, such as life insurance, rose 13 per cent to I£9.8m.

Astec hurt by weak chip market

By Charis Gresser

Astec (BSR), the power conversion and electronic components manufacturer, blamed a fall in interim turnover and profits on the softness of the semiconductor market and disappointing sales in Europe.

The Hong Kong-based company also warned that for the remainder of 1997 attempts to increase market share would "continue to exert pressure on profit margins and this will affect earnings growth". Astec shares fell 32½p to 137½p, some 10 per cent below where they stood at the start of the year.

Pre-tax profits fell 1 per cent to £13m ($21.2m) on turnover down 10 per cent to £179.4m. Operating profits fell 5 per cent to £11.9m.

Howard Lance, chief executive, said: "The semiconductor industry has been very soft for the last 12 months because of overcapacity. That's now improving. But it meant we paled in terms of sales. And this part of the business is the highest value added that we have."

He added that sales had also been hit by weak conditions in Europe, where regional personal computer manufacturers were struggling to beat off competition from international rivals such as International Business Machines, Dell and Compaq. A discontinued product line also had an adverse effect on the results.

Astec said it was pushing to increase its presence in the growing data and telecommunications market, which enjoys better margins than its PC-driven business.

Mr Lance said the company was keen to make acquisitions. "We're out shopping actively," he said, adding that businesses in Europe and Asia would fit the company's priorities. It ended the period with £42m of net cash.

Howard Lance: sales hit by weak European markets Brendan Corr

Property dealings help Clydeport

By James Blitz

Increased throughput at its main port and a rise in property dealings enabled Clydeport, the Scottish ports operator, to report a 48 per cent rise in first half pre-tax profits to £4.18m ($6.8m).

Euan Davidson, corporate services director, said increased tonnage and an expanding customer base at Hunterston, in western Scotland, were the main reasons for the rise in profits. Total tonnage discharged at Hunterston was 32 per cent up on the previous year, at 936,000 tonnes.

The outcome also reflected an increase in its property activities. In February, it completed the sale to Whitbread of the second of two sites at Cartsdyke, Greenock. In May, it granted a long lease, with an option to purchase, of a three-acre development site in Greenock to Top Rank Leisure. These developments contributed £763,000 to profits.

A one-off £150,000 pension fund credit, which followed the triennial revaluation of the company scheme, also aided the results. This contrasted with a net pension fund cost in the first half of 1996.

James Millar, chairman, said the company now had "an excellent platform on which to build for the second half of the current year".

Turnover increased 16 per cent to £10.4m.

Earnings per share jumped 48 per cent from 6.85p to 10.13p and the interim dividend rises 15 per cent to 1.725p (1.5p).

The shares rose 6p to 144½p.

Bell Lawrie White, the house broker, forecast pretax profits of £6.8m ($5.3m) for the full year.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Anglo-Eastern	6 mths to June 30	6.48	(5.91)	3.35	(3.52)	4.2	(5.1)	-	-	-	-	3.49‡
Astec (BSR)	6 mths to June 30	179.4	(199.1)	13	(13.1)	3.22	(3.32)	0.69	Nov 4	0.63	-	1.8
Clydeport	6 mths to June 30	10.4	(9.02)	4.18	(2.83)	10.13	(6.85)	1.725	Oct 10	1.5	-	4.8
Eclipse Blinds	6 mths to June 30	22.6	(18.7)	2.93♠	(2.46)	4.06	(3.84)	1.2	Oct 1	1	-	3
Hambro Countrywide	6 mths to June 30	116.5	(91.1)	24.2♥	(10.5♥)	9.2	(2.41)	1	Oct 1	0.5	-	2
Irish Permanent ♣	6 mths to June 30	158.2□	(127.9□)	25.9	(23.3)	20.6	(18.5)	4.8	Oct 24	4	-	12.25
Mansfield (John)	6 mths to June 30	6.41	(5.46)	0.13	(0.123)	0.15	(0.15)	-	-	-	-	-
Sanderson Bramall	6 mths to June 30	319.8	(319.2)	6.73	(6.13)	13.25	(12.18)	1.84	Nov 1	1.6	-	4.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ‡Foreign income dividend. ♠After exceptional charge. ♥After exceptional credit. ♣Irish currency. □Gross interest income.

Using the net · Geoff Nairn

Trading places

From purchasing to invoicing, businesses are linking up

A trading revolution is taking place on the internet as businesses large and small form electronic communities to streamline their supply chains and automate run-of-the-mill sourcing functions.

Electronic commerce is today most often experienced as consumer-oriented web stores selling everything from CDs to vintage wine. But e-commerce experts see more promising opportunities in business-to-business transactions and predict the internet will soon be dotted with electronic marketplaces for business traders.

"Business-to-business commerce is much stronger and will come much faster than business-to-consumer commerce," says Bill Etherington, general manager for IBM Europe. US analyst Forrester Research predicts business-to-business commerce will grow dramatically from $600m (£370m) in 1996 to $66bn by 2000.

Business-to-business trading systems have existed for more than a decade as proprietary Electronic Data Interchange networks. These take the paperwork out of routine business transactions by allowing buyers and suppliers to exchange purchase orders or invoices electronically. EDI networks have streamlined the supply chain of sectors such as retailing, the motor industry and pharmaceuticals, but EDIs' complexity and relatively high cost have traditionally excluded smaller suppliers.

The EDI industry has now turned to the internet to extend its reach and make it easier and cheaper for small firms to use. GEIS, a division of General Electric of the US, has run proprietary EDI services for more than a decade and last year it launched its TradeWeb service to allow EDI documents to be sent and received via the internet.

In an advance on traditional EDI forms, purchase orders and invoices sent by TradeWeb are easy to understand because they resemble paper business documents. Chrysler is using TradeWeb to extend EDI to the many small companies that supply it with materials such as office supplies. UK supermarket chain Tesco is also testing TradeWeb.

Specialist software houses, such as Manugistics and I2 Technologies, are looking at opening their supply chain management software to the internet. Big manufacturers use these programs to plan and co-ordinate their global supply chain across different factories linked by private networks.

Wim De Waele, industries director at I2 Technologies, says manufacturers now want to use the internet to extend quickly and cheaply the reach of their supply chain planning to business units and suppliers not connected to the private networks.

"However, there are still issues, such as confidentiality and security, to be addressed," says Mr De Waele. I2 Technologies is using the Java programming language to develop a secure method of accessing its system from web browsers.

Because of the security concerns and the poor reliability of the internet in some countries, the e-commerce industry favours the creation of "extranets". These use standard internet technologies – and are thus cheaper than building proprietary networks – but are more secure than the public internet as traders must register to gain access.

Thanks to EDI and supply chain management software, many industries have made real progress in optimising "downstream" functions, such as ordering and delivery scheduling. But the "upstream" tasks involved in sourcing goods have as yet gone largely untouched.

Before a product can be ordered, buying offices must compile requests for proposals (RFPs), distribute them to suppliers, receive and negotiate offers and finally choose a winner. The process is time-consuming and costly, particularly for large retailers with more than 100,000 stock control units (SKUs) and many suppliers worldwide.

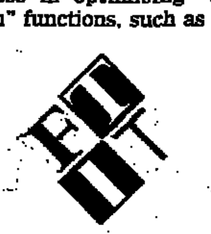
To solve these problems, Carrefour, the French retailing group, is testing an extranet that US supplier QCS has developed for retailers. One trial involves Carrefour's Italian buying office which sources more than 1,000 non-food SKUs – mainly textiles and white goods – for Carrefour stores worldwide.

A Carrefour buyer can quickly find suppliers for an SKU by logging on to the QCS site and looking through electronic catalogues with photos and details of products offered by various suppliers. The buyer then sends an electronic RFP to suppliers by filling in an electronic form. Colour photos or designer's sketches can be attached to the RFP. The suppliers receive the RFP in their mailbox and can send back their offers, with any desired variations. And so the process continues, with buyer and suppliers electronically negotiating product details, delivery schedule and pricing via secure e-mail.

Christophe Roussel, head buyer at Carrefour's Milan office, says the QCS system has produced time savings of 20 per cent for his buyers by eliminating the time spent preparing and faxing RFPs. It has also ended disputes with suppliers over mislaid faxes.

The QCS system is based on Domino server technology from IBM's Lotus subsidiary, and is protected using firewalls and encryption technology. "Every retailer is paranoid about confidentiality," says Theo Wegbrans, executive vice-president at QCS. The system allows access via IBM's International Global Network and traditional EDI networks if traders do not want to use the internet.

The Carrefour pilot involves 30 suppliers in Italy and a further 30 will join in September. Carrefour ultimately wants all its suppliers to join and to extend the system to send the purchase order automatically. But Carrefour must overcome the resistance of some smaller Italian suppliers. "They are used to the fax and it's difficult to make them use e-mail, although we are trying to push them to adopt it," says Mr Roussel.



Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month

Smart cards offer digital solution

How can you get remote access to protected data stored on corporate networks from your home PC? Or send and receive encrypted electronic mail from a mobile device?

A solution lies in smart cards, coupled with "digital certificates", which use cryptography to provide better authentication than relying on a user's name or password.

Traditionally, users' digital certificates were located on their computer hard drives. But they can now be transported on a smart card or hardware token, after a decision by Netscape Communications Corporation and nine other vendors to support the RSA Labs Public Key Cryptography standard for smart cards and tokens.

If lost or stolen, smart cards and tokens are safe because they cannot be used without the personal identification number (Pin) known only to the user. Smart cards and tokens also provide enhanced protection of user data by separating users' certificates from their hard drives and introducing the need for a Pin.

Netscape Communications Corporation: fax 4155284124; http://home.netscape.com

Performance measurement

The idea that "what gets measured gets managed" has fuelled the introduction of sophisticated performance measurement systems. These systems, such as the "balanced scorecard", attempt to define both the financial and non-financial influences on a business.

But many companies are hampered in their use of these systems by the effort needed to track performance indicators and manipulate the relevant data.

Now software is more widely available that makes the task easier. For example, Panorama Business Views, which has provided specialist performance measurement software for the North American market for several years, has launched its software in the UK.

Lucidus, a UK-based company, has launched software to help companies establish direct links between their strategic goals, performance indicators and operational activities.

Lucidus says its Integrated Performance Measures software makes it easier to target areas likely to yield greater returns. It provides answers to "what if" questions and gives warnings when indicators move out of their designated range.

IPM operates on stand-alone PCs or across networks. It costs £25,000 for unlimited network usage in a business area.

Panorama Business Views (UK): UK, tel (0)1276 64870; http://www.pbviews.com

Lucidus Management Technologies: UK, tel (0)1608 678134; fax (0)1608 677486

Watching brief

Key to sharing knowledge

Many organisations are keen to improve the way they manage the knowledge held within their companies. All too often, staff have no easy way of tapping into the expertise of other employees and they have difficulty tackling the proliferation of information sources.

Orbital Technologies, a small Edinburgh-based company, has developed software called Organik designed to capture and disseminate expert knowledge. The software, written in Java, allows users to ask questions through a purpose-built client, through a web browser or by e-mail. If a suitable answer is available, it is returned to the user.

Otherwise, it is passed on to an expert, together with a set of indexed information resources, such as news groups, mailing lists, links to network files and Lotus Notes databases. When the question has been answered, the question and answer, together with the context, is recorded in Organik.

Orbital says that its software can be used more widely than search engines. Although search engines can index internet or intranet information, they cannot gain access to knowledge locked away in existing files and databases.

The Organik service can also be used by customers via a web site or by an e-mail connection. The software, which is being tested, is expected to be launched next spring.

Orbital Technologies: UK, tel (0)131 5388850; http://www.orbital-tech.com

Retro-style engineering

A software design tool has been launched that promises to speed up the development of new products and processes by giving users access to previous engineering designs.

The software helps engineers identify the problem and then select an appropriate course of action by referring to cases drawn from a bank of more than 1,300 engineering examples. The product has a database of scientific information. Possible solutions are illustrated with graphics and examples.

The TechOptimizer 2.5 Professional Edition is designed by Invention Machine Corporation, a Boston-based provider of software tools for product design.

Invention Machine Corporation: Sweden, tel 4687533360; europe@invention-machine.com

The curse of e-mail spam

Unsolicited e-mail – known as "spam" – is a growing problem. Computer networks may even become so overloaded with junk e-mail that they crash. Worldtalk Corporation, a US e-mail security vendor, has developed firewall technology called WorldSecure which scans all e-mails for target words and sends unwanted messages to the computer administration for checking.

Peapod: UK, tel (0)181 6069990; www.peapod.co.uk

JGB yields reach record lows

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

JAPANESE GOVERNMENT BONDS continued their outperformance yesterday. The yield on the benchmark 10-year bond hit a record low of 2 per cent while the 20-year bond yield hit a new low of 2.01 per cent.

Analysts said there could be even further to go in the JGB market as a number of factors conspired to send prices soaring and cut yields to the bone.

The continued weakness of the economy meant the Bank of Japan was not going to tighten monetary policy in the foreseeable future, and the equity market remained in the doldrums, in spite of a modest rally yesterday.

"The average Japanese investor doesn't have much choice outside the bond market," said Nigel Richardson, head of bond research at Yamaichi International.

With investors engaged in "a desperate search for yield" the market was "very sentiment-driven, and the sentiment now is that it is going up," he added.

An auction of Y1,000bn of 10-year bonds yesterday was heavily oversubscribed, evidence that demand for JGBs is still strong. Eric Fishwick, JGB specialist at Nikko Europe, noted that although volumes were relatively low, interest from foreign investors fearful of missing another period of outperformance would have helped drive yields to their current lows.

Volatility in overseas markets was also a factor in pushing up JGB prices and providing a floor for the market, said Sanjay Joshi, chief economist at Daiwa Europe.

US TREASURIES recovered in afternoon trading after morning reports on durable goods and consumer confidence took the market lower. At midday the benchmark 30-year was up ⅛ to 96 5/16, sending the yield down to 6.655 per cent.

Two-year notes rose 1/32 to 99 11/32, yielding 5.959 per cent, and 10-year notes rose 1/16 to 98 5/32 to yield 6.369 per cent.

The Commerce Department said durable goods orders for July fell 0.6 per cent, but June orders were revised to a 2.9 per cent increase. Non-defence capital goods orders, excluding aircraft, also increased, by 3.0 per cent in June and 5.5 per cent in July.

"Capital investment has been strong and will remain strong going forward," said Stan Shipley, senior economist at Merrill Lynch.

In a separate report, the Conference Board said consumer confidence bounced back in August. The confidence index rose to 129.1 from July's 126.3.

The firmer US tone helped European bonds recoup initial losses, but markets remained jittery over German interest rates, even though the Bundesbank left its repo rate unchanged at a fixed 3 per cent.

The September contract on GERMAN BUNDS settled 0.27 higher at 102.15, and the September UK GILT future settled at 114 7/16, up 1/32 on Friday's close.

Vietnam Airlines taps loan market

By Jeremy Grant in Hanoi and Edward Luce in London

Vietnam Airlines, the state-owned flag carrier, yesterday signed a $15m, five-year syndicated loan for the purchase of spare parts and maintenance of its recently expanded fleet of Airbus aircraft.

The deal, arranged by ANZ Investment Bank, comes at a time when bankers have reduced exposure to Vietnamese risk due to problems in the banking sector and concern over the pace of economic reform.

However, two other deals are moving ahead, showing there is still life in Vietnam's syndicated loans market. State-owned coal company Vinacoal is expected to sign a $30m, five-year syndicated loan with Citibank tomorrow.

Earlier this month, Bank of America closed a $30m, five-year syndication for Maritime Bank, seen as one of Vietnam's more healthy joint-stock, or semi-private, banks. Signing is expected early next month.

● An official at the London Club of commercial bank creditors, which is negotiating the restructuring of Vietnam's $800m debt arrears, said the agreement had been put back due to delays on an International Monetary Fund agreement.

Under London Club rules, the restructuring cannot be concluded until 35 days after Vietnam has agreed with the IMF on disbursement of funds for the final year of its $500m enhanced structural adjustment programme. It is unlikely to conclude talks with the IMF before the end of September, said the official.

CAPITAL MARKETS NEWS DIGEST

Matif to expand five-year futures

Matif, the French derivatives exchange, will soon become the first market to offer two futures contracts on medium-term bonds in currencies set to participate in European monetary union from the outset – French francs and D-Marks. Matif yesterday said its planned future on five-year French government bonds would start trading on September 10, in addition to its existing five-year D-Mark contract.

The launch will coincide with the inauguration of a new high-tech trading floor dedicated to Emu-linked interest rate derivatives. On the "Eurofloor", prices will be posted on so-called "plasma screens" – flat screens offering improved visibility – and surveillance cameras will be orientable.

Competition among derivatives exchanges has intensified recently in the five-year area of the yield curve. Last week both the London International Financial Futures and Options Exchange and Frankfurt's Deutsche Terminbörse announced fee holidays on their German five-year bond futures. Matif yesterday said it had no plans to follow suit, but offered a fee holiday until the end of the year on the French five-year future.

The exchange is confident the new contract will be more successful than its predecessor, launched in June 1993 but delisted a year ago due to lack of liquidity. "The five-year area is actively managed by the treasury and trading is liquid," a Matif spokeswoman said. Issuance of French medium-term government bonds is expected to rise to FFr280bn this year from FFr254bn in 1996.

Matif said changes in the treasury's issuance process would increase demand for hedging instruments: last month the settlement period on new issues was reduced to one week from up to four weeks previously. It also said modifications to the notional future would eliminate the overlap between the two contracts. The notional future, which used to cover medium and long term bonds, has recently been redefined as a 10-year contract.

Samer Iskandar

■ SECURITIES SETTLEMENT

Euroclear to cover Philippines

Euroclear, Europe's largest clearing house for securities, yesterday said it had added Philippine government debt securities to the list of Asian government bonds it settles. The body, which appointed Citibank's Manila branch as the local Euroclear depositary for Philippine government bonds, said this brought the number of Asian government securities it covers to nine.

Euroclear covers 31 domestic securities markets worldwide. The body said it would provide custody, security clearance and settlement services for Philippine debt securities. "Adding Philippine government securities is part of our strategy to provide comprehensive service in the Asia Pacific and to act as an international hub for cross-border settlement activity," said Wim Claeys, head of Euroclear domestic securities.

Edward Luce

Issuance gains momentum

INTERNATIONAL BONDS

By Edward Luce and Samer Iskandar

The eurobond market gained momentum yesterday, with some borrowers bringing issues before the widely expected September rush.

Officials said the next two weeks promised to be more active than the last two, with many corporate treasurers anxious to avoid being overshadowed by the growing list of prospective offerings next month.

BNG, the Dutch bank, and the WORLD BANK both made a play for the continental European retail market with tightly-priced $300m issues.

ABN Amro, lead manager of the World Bank offering, said about a quarter of the buying came from Asian institutions. The remainder of the paper went to investors in the Benelux region and Switzerland.

In spite of having been priced to yield just six basis points over US Treasuries, officials reported brisk buying. "Both the BNG and World Bank deals were very aggressively priced," said one rival syndicate official. "But they are classic retail names so they'll probably work."

ABN Amro, joint lead with Nikko Europe for BNG's said the coupon payment date had been timed to coincide with the redemption of a 1994 dollar offering by BNG. The bond was priced to yield three basis points over Treasuries.

KANSAI INTERNATIONAL AIRPORT, Japan's second international airport, tapped the sterling sector for the first time with a 10-year £115m offering. BZW, joint lead with Bank of Tokyo-Mitsubishi, said the deal was competitively priced to reflect spread-widening in 10-year sterling deals over the past two months.

The Kansai offering – its first overseas bond in more than a year – was priced to yield 24 basis points more than gilts, in spite of having an explicit guarantee from the Japanese government.

Officials said they expected strong overnight buying from Japan.

"This is basically Japanese government debt," said one. "But Kansai recognised the change in market conditions over the last few weeks and adjusted its price to reflect that."

TRANS-TOKYO BAY HIGHWAY, the government-guaranteed agency building a network of bridges and tunnels over the sea off the Japanese capital, made its second foray into the Swiss franc sector with a 10-year issue.

"The government guarantee makes this kind of deal popular among Swiss investors," said UBS, joint lead manager with Industrial Bank of Japan. "The issue was well received."

Another government-guaranteed borrower, JAPAN HIGHWAY, is expected to tap the dollar sector today. "It will be interesting to compare three issues by identical credits in three different markets," said a syndicate official in London. "For investors, this is like a barometer of the health of each market."

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
World Bank	300	6.25	99.969R	Sep 2001	0.225R	+6(6%Aug00)	ABN Amro Hoare Govett
BNG	300	6.125	99.693R	Sep 2000	0.1875R	+3(6%Aug00)	ABN Amro/Nikko Europe
Svenska Handelsbanken‡	250	(a)	100.079R	Sep 1998	0.05R	-	Salomon Brothers Intl
Okobank(b)‡	135	(b1)	100.034R	Undated	0.45R	-	CSFB/Salomon Brothers
■ D-MARKS							
Kingdom of Denmark‡	1.75bn	(c)	100.03R	Sep 2001	0.125R	-	Dresdner KB
Land Sachsen Anhalt	1bn	5.75	99.11R	Sep 2007	0.325R	+14(6%Jul07)	ABN Amro/Deutsche MG
■ STERLING							
Kansai Intl Airport Co	115	7.375	99.322R	Sep 2007	0.325R	+24(7¼%-07)	BZW/Tokyo-Mitsubishi
■ SWISS FRANCS							
Trans-Tokyo Bay Highway	240	3.75	101.95	Sep 2007	2.75	-	IBJ(Switz)/UBS
■ ESCUDOS							
Morgan Guaranty Tst Co(d)	10bn	Zero	100.00	Sep 2007	-	-	BPI
■ LUXEMBOURG FRANCS							
Commerzbank(l)	2bn	5.25	102.55	Dec 2003	1.875	-	BCEE/BIL
■ DANISH KRONER							
BBL International Finance	650	zero	65.85	Dec 2004	1.375	-	Bank Brussels Lambert

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Callable from Sep 02 at par. b1) 3-mth Libor +50bp to Sep 02, then +200bp. c) 3-mth Libor –15bp. d) Redemption price: 393.53%. Callable on 29/9/07 at 198.376%. l) Long 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	122.7221	–0.100	6.65	6.63	6.66
Austria		5.625	07/07	99.2100	+0.130	5.73	5.69	5.65
Belgium		6.250	03/07	103.3400	+0.120	5.78	5.73	5.69
Canada *		7.250	06/07	108.5800	–0.170	6.07	5.96	5.96
Denmark		7.000	06/07	105.2500	+0.010	6.26	6.25	6.15
France	BTAN	4.750	03/02	99.8128	+0.040	4.79	4.73	4.61
	OAT	5.500	10/07	99.1900	+0.070	5.60	5.55	5.46
Germany Bund		6.000	07/07	102.1900	+0.130	5.70	5.64	5.61
Ireland		8.000	08/06	110.2000	–0.030	6.46	6.42	6.41
Italy		6.750	02/07	101.1200	–0.050	6.59†	6.58	6.48
Japan	No 148	5.600	06/02	120.0295	+0.140	1.29	1.36	1.58
	No 182	3.000	09/05	107.3305	+0.340	2.01	2.09	2.28
Netherlands		5.750	02/07	100.8600	+0.080	5.62	5.58	5.55
Portugal		9.500	02/06	120.6500	+0.100	6.28	6.28	6.21
Spain		7.350	03/07	107.2000	+0.230	6.31	6.29	6.25
Sweden		8.000	08/07	109.9801	–0.160	6.60	6.63	6.54
UK Gilts		7.000	06/02	99-29	+4/32	7.02	6.99	7.12
		7.250	12/07	101-08	+8/32	7.07	7.00	7.06
		9.000	10/08	114-13	+9/32	7.11	7.03	7.09
US Treasury *		6.125	08/07	98-05	+1/32	6.38	6.21	6.21
		6.375	08/27	96-10	+7/32	6.66	6.53	6.50
ECU (French Govt)		5.500	04/07	96.5400	+0.110	5.96	5.91	5.90

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest

Prime rate	8½
Broker loan rate	7¼
Fed.funds	5⅝
Fed.funds at intervention	-

Treasury Bills and Bond Yields

One month	-	Two year	5.98
Two month	-	Three year	6.10
Three month	5.26	Five year	6.24
Six month	5.37	10-year	6.39
One year	5.59	30-year	6.67

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	129.42	129.58	+0.12	129.74	129.28	100,827	158,021
Dec	98.40	98.56	+0.12	98.70	98.30	6,311	15,070
Mar	97.80	97.96	+0.12	97.80	97.80	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Dec
127	2.47	-	-	0.01	-	-
128	1.48	-	-	0.02	-	-
129	0.52	-	-	0.06	-	-
130	0.04	-	-	0.58	-	-
131	0.01	-	-	1.55	-	-

Est. vol. total, Calls 4,104 Puts 4,783. Previous day's open int., Calls 89,896 Puts 131,420.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101.90	102.15	+0.13	102.20	101.75	192075	251510
Dec	101.05	101.26	+0.11	101.30	100.90	9249	31723

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
10100	0.73	1.01	1.20	1.22	0.47	0.75	0.94	1.85
10150	0.46	0.74	0.94	1.02	0.70	0.98	1.18	2.15
10200	0.25	0.52	0.71	0.85	0.99	1.26	1.45	2.48

Est. vol. total, Calls 13284 Puts 17182. Previous day's open int., Calls 87115 Puts 104444

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	135.92	135.64	-0.25	135.99	135.16	52983	92906
Dec	108.00	107.84	-0.22	108.10	107.41	1542	22558

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10750	1.75	2.71	1.41	1.83
10800	1.47	2.44	1.63	2.06
10850	1.24	2.19	1.90	2.31

Est. vol. total, Calls 4642 Puts 2598. Previous day's open int., Calls 22504 Puts 19167

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.76	116.90	+0.22	116.95	116.28	94,009	82,562
Dec	100.72	100.78	+0.19	100.72	100.41	142	3,074

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-07	114-14	+0-09	114-15	114-01	70925	141948
Dec	114-00	114-04	+0-10	114-04	113-22	27406	31457

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
114	0-58	1-18	1-35	1-61	0-50	1-10	1-27	2-13
115	0-30	0-53	1-04	1-33	1-22	1-45	1-60	2-49
116	0-14	0-32	0-44	1-10	2-06	2-24	2-36	3-26

Est. vol. total, Calls 340 Puts 1350. Previous day's open int., Calls 20834 Puts 18338

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.54	96.60	+0.08	96.74	95.34	261	6,016
Dec	-	96.26	+0.08	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	112-14	112-05	-0-09	112-21	111-26	186,042	498,504
Dec	112-02	111-28	-0-08	112-07	111-14	41,913	80,225
Mar	-	111-23	-	-	-	1,350	32,638

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	127.62	-	-	127.69	127.54	4022	n/a
Dec	126.84	-	-	126.90	126.76	2368	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Aug 26	Day's change %	Fri Aug 22	Accrued interest	xd adj. ytd		Low coupon yield Aug 26	Aug 22	Yr. ago	Medium coupon yield Aug 26	Aug 22	Yr. ago	High coupon yield Aug 26	Aug 22	Yr. ago
1 Up to 5 years (19)	119.21	0.03	119.17	2.07	7.34	5 yrs	7.06	7.06	7.11	7.13	7.14	7.19	7.16	7.18	7.26
2 5-15 years (21)	152.72	0.04	152.66	2.66	7.42	15 yrs	7.05	7.05	8.06	7.08	7.08	8.09	7.14	7.14	8.09
3 Over 15 years (5)	181.79	0.02	181.75	7.05	6.99	20 yrs	7.05	7.05	8.19	7.06	7.06	8.18	7.14	7.14	8.18
4 Irredeemables (5)	239.46	0.02	239.43	3.89	8.35	Irred.†	7.14	7.14	8.20						
5 All stocks (50)	147.03	0.03	146.98	3.17	7.48										

Index-linked							Inflation 5% Aug 26	Aug 22	Yr. ago	Inflation 10% Aug 26	Aug 22	Yr. ago
6 Up to 5 years (2)	207.00	–0.03	207.07	2.46	3.03	Up to 5 yrs	3.62	3.60	2.06	2.92	2.90	0.38
7 Over 5 years (10)	200.02	–0.16	200.35	0.92	4.70	Over 5 yrs	3.55	3.53	3.67	3.34	3.32	3.45
8 All stocks (12)	199.67	–0.15	199.97	1.06	4.51							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Aug 26	Aug 22	Aug 21	Aug 20	Aug 19	Yr ago	High*	Low*
Govt. Secs. (UK)	96.61	96.58	96.91	97.03	96.97	93.51	97.88	93.31
Fixed Interest	125.54	125.64	126.12	126.10	126.27	113.51	125.68	115.32

Gilt Edged Activity Indices

	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 26

[illegible]

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

D-Mark recovers on thin volumes

MARKETS REPORT

By Richard Adams

The D-Mark staged a recovery against the US dollar in foreign exchange trading yesterday – although analysts warned its renaissance could be short-lived.

The German currency went under DM1.80 against the dollar, for the first time in more than a month, during trading in Europe. By the close of the London market, it was DM1.8005 – a rise of 1.68 pfennigs from the previous close.

The D-Mark also improved against sterling. It gained from DM2.9171 to DM2.9036. The German currency registered bigger gains on European cross rates.

There were few fundamental reasons behind the movements. But volumes were said to be light, thanks to a slow start after the holiday weekend in the UK, and the quiet period in the US between now and Labor Day next month.

"The market is very illiquid right now, so it doesn't take much to move it," said Paul Chertkow, head of global currency research at UBS in London.

While the D-Mark may have been yesterday's biggest winner, the biggest loser was the Japanese yen. The D-Mark gained significantly against the weak yen, which is still suffering from the fall-out from South-east Asia's various currency difficulties. The yen has lost Y1.2 against the D-Mark since last week, and closed at Y65.83.

The dollar gained Y1 and closed at Y118.53 in London, compared with Friday's closing level of Y117.40.

■ Pound in New York

Aug 26	—Latest—	— Prev. close —
£ spot	1.6115	1.6065
1 mth	1.6093	1.6042
3 mth	1.6054	1.5998
1 yr	1.5890	1.5840

■ Opinion seemed divided over the impact of the D-Mark's move against the dollar yesterday. The German currency may have been helped by the Bundesbank's decision to announce two further fixed securities repurchase auctions.

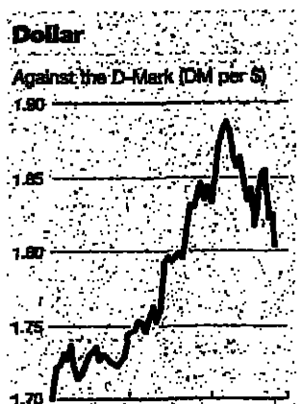
Mr Chertkow said there were two possible views on the D-Mark's recovery. One was that the movement higher could be the start of a trend reversal upwards. The other was that it represented a buying opportunity for dollar bulls.

"My view is that nothing fundamental has changed, although the Bundesbank has been very adept at keeping the market off guard," Mr Chertkow said.

The general response to the Bundesbank's decision, along with recent inflation data, merely narrowed the timetable for an interest rate tightening.

However, the M3 measure of money supply is still slowing, while unemployment is rising. Any rate rise by the central bank was likely to be limited to a quarter of one per cent.

"If the rate rise is from 3 to 3.25 [per cent], it would still leave monetary policy in Germany highly accomodative," Mr Chertkow said.



■ Brian Marber, the London-based independent technical analyst, offered an alternative view of the D-Mark's behaviour.

Using the Bank of England's D-Mark exchange rate index, Mr Marber said a closing level for the D-Mark at 102.4 would complete a bottom reversal, signifying the end of the D-Mark's fall. "I think it is highly probable we've seen the peak of the dollar against the D-Mark," Mr Marber said.

The D-Mark did slightly better yesterday, closing at 102.6, thanks to the German currency's strong performance against the yen.

Mr Marber said the D-Mark's rally would be its best since 1995, making the D-Mark the strongest currency around for perhaps the next three months. His recommendation is to buy the D-Mark and "sell everything else".

■ Meanwhile, in Japan, a rate rise looks further away than ever. In a change from its recent, optimistic comments on the state of the economy, the government yesterday acknowledged that the pace of recovery was slowing. And yields on 10-year benchmark Japanese Government Bonds touched a record low of just 2.02 per cent – provoking the yen's slide against the dollar and D-Mark.

The last time JGB yields went so low, in April when they were 2.10 per cent, the yen dived to Y127.6 against the dollar.

Similarly, the spread between bunds and JGBs is now over 350 basis points. The last time at those levels – also April – the D-Mark went up to well over Y70.

■ OTHER CURRENCIES

Aug 26	£	$
Czech Rp	54.0732 - 54.1745	33.5400 - 33.5820
Hungary	314.943 - 315.219	195.350 - 195.400
Iran	4839.60 - 4836.60	3000.00 - 3000.00
Kuwait	0.4912 - 0.4919	0.3047 - 0.3049
Poland	5.5693 - 5.5776	3.4545 - 3.4575
Russia	9402.35 - 9411.41	5832.00 - 5834.00
U.A.E.	5.9213 - 5.9254	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Aug 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.4334	-0.1125	225 - 442	20.6313	20.3893	20.379	3.2	20.2663	3.3	19.7608	3.3	102.2
Belgium	(BFr)	59.9812	-0.2798	222 - 401	60.4940	59.8220	59.8012	3.6	59.4312	3.7	57.6812	3.8	101.7
Denmark	(DKr)	11.0620	-0.062	570 - 670	11.1650	11.0418	11.0305	3.4	10.9665	3.5	10.675	3.5	104.1
Finland	(FM)	8.7056	-0.0234	969 - 143	8.7660	8.6730	8.6803	3.5	8.6278	3.6	8.4151	3.3	81.2
France	(FFr)	9.7883	-0.047	836 - 929	9.8781	9.7570	9.7553	4.0	9.6963	3.7	9.4228	3.7	104.5
Germany	(DM)	2.9036	-0.0161	021 - 051	2.9325	2.8966	2.8942	3.9	2.8752	3.9	2.7883	4.0	102.6
Greece	(Dr)	457.128	-1.791	881 - 375	460.589	455.952	458.911	-4.7	461.535	-3.9	469.903	-2.8	65.1
Ireland	(I£)	1.0879	-0.0065	868 - 890	1.0970	1.0865	1.0874	0.6	1.086	0.7	1.0752	1.2	99.5
Italy	(L)	2834.24	-12.34	296 - 552	2858.48	2827.24	2834.32	0.0	2834.28	0.0	2831.58	0.1	76.1
Luxembourg	(LFr)	59.9812	-0.2798	222 - 401	60.4940	59.8220	59.8012	3.6	59.4312	3.7	57.6812	3.8	101.7
Netherlands	(Fl)	3.2705	-0.0169	691 - 719	3.3022	3.2634	3.2603	3.7	3.2394	3.8	3.1434	3.9	101.1
Norway	(NKr)	12.1017	-0.0764	939 - 095	12.2515	12.0665	12.0692	3.2	12.0082	3.1	11.7392	3.0	96.2
Portugal	(Es)	294.753	-1.114	565 - 941	297.448	294.159	294.597	0.6	294.067	0.9	289.979	1.6	92.2
Spain	(Pta)	245.655	-1.208	554 - 755	247.850	245.130	245.34	1.5	244.59	1.7	240.22	2.2	76.6
Sweden	(SKr)	12.7344	-0.0422	244 - 444	12.8149	12.7102	12.7069	2.6	12.6484	2.7	12.3919	2.7	84.8
Switzerland	(SFr)	2.4016	-0.0041	002 - 030	2.4135	2.3939	2.3907	5.5	2.3681	5.6	2.2679	5.6	105.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	101.6
Ecu	-	1.4788	-0.0062	779 - 797	1.4912	1.4760	1.4755	2.7	1.4683	2.8	1.4343	3.0	-
SDR†	-	1.183600	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6124	+0.0086	119 - 129	1.6232	1.6042	-	-	-	-	-	-	-
Brazil	(R$)	1.7616	+0.01	608 - 624	1.7729	1.7531	-	-	-	-	-	-	-
Canada	(C$)	2.2469	+0.0144	458 - 480	2.2593	2.2322	2.2401	3.7	2.2264	3.6	2.1755	3.2	84.3
Mexico	(New Peso)	12.5178	+0.08	107 - 249	12.5864	12.4525	-	-	-	-	-	-	-
USA	($)	1.6127	+0.0086	122 - 132	1.6235	1.6045	1.6105	1.6	1.6065	1.5	1.5903	1.4	105.5
Pacific/Middle East/Africa													
Australia	(A$)	2.1588	+0.0107	574 - 601	2.1701	2.1480	2.1551	2.0	2.1487	2.2	2.1098	2.3	94.1
Hong Kong	(HK$)	12.4872	+0.067	825 - 918	12.5699	12.4236	12.4862	0.1	12.4797	0.2	12.4247	0.5	-
India	(Rs)	58.6620	+0.3547	229 - 011	58.9820	58.2750	58.8572	-4.0	59.2578	-4.1	60.9375	-3.9	-
Israel	(Shk)	5.6869	+0.0259	774 - 964	5.6975	5.6686	-	-	-	-	-	-	-
Japan	(Y)	191.153	+0.832	014 - 293	191.570	189.670	190.133	6.4	188.108	6.4	179.123	6.3	130.3
Malaysia	(M$)	4.4954	+0.0482	916 - 992	4.5221	4.4488	4.4996	-1.1	4.5078	-1.1	4.5263	-0.7	-
New Zealand	(NZ$)	2.4982	+0.0215	964 - 999	2.5167	2.4865	2.5014	-1.5	2.5052	-1.1	2.5058	-0.3	108.2
Philippines	(Peso)	48.2681	+0.3872	725 - 637	48.8373	48.1573	48.4279	-4.0	48.6774	-3.4	49.7343	-3.0	-
Saudi Arabia	(SR)	6.0486	+0.0327	466 - 505	6.0889	6.0182	6.0451	0.7	6.0367	0.8	6.0002	0.8	-
Singapore	(S$)	2.4094	+0.0129	078 - 109	2.4290	2.3934	2.4048	2.3	2.3947	2.4	2.3485	2.6	-
South Africa	(R)	7.5676	+0.0382	628 - 724	7.5992	7.5384	7.6283	-9.6	7.7462	-9.4	8.1831	-8.1	-
South Korea	(Won)	1451.43	+0.57	776 - 511	1461.80	1444.05	-	-	-	-	-	-	-
Taiwan	(T$)	46.3329	+0.2541	024 - 634	46.6367	46.0925	46.3163	0.4	46.2766	0.5	46.0789	0.5	-
Thailand	(Bt)	54.8319	+0.1337	342 - 295	54.9890	54.0280	55.1685	-7.4	55.6301	-5.8	56.6603	-3.3	-

†Rates for Aug 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.6703	-0.1385	675 - 731	12.8430	12.6070	12.6463	2.3	12.5973	2.3	12.3733	2.3	101.7
Belgium	(BFr)	37.1930	-0.375	680 - 180	37.6700	37.0200	37.118	2.4	36.9665	2.4	36.273	2.5	101.6
Denmark	(DKr)	6.8593	-0.0758	583 - 603	6.9522	6.8300	6.8476	2.0	6.8233	2.1	6.7169	2.1	103.1
Finland	(FM)	5.3982	-0.0437	944 - 019	5.4550	5.3635	5.3867	2.6	5.3631	2.6	5.2692	2.4	80.6
France	(FFr)	6.0695	-0.0621	685 - 705	6.1515	6.0347	6.0579	2.3	6.0341	2.3	5.9253	2.4	103.5
Germany	(DM)	1.8005	-0.0197	001 - 008	1.8253	1.7915	1.7967	2.6	1.7889	2.6	1.7539	2.6	101.9
Greece	(Dr)	283.455	-2.645	390 - 520	286.700	281.960	284.75	-5.5	286.805	-4.7	293.955	-3.7	64.8
Ireland	(I£)	1.4824	+0.0166	813 - 835	1.4875	1.4650	1.4816	0.6	1.4807	0.5	1.4811	0.1	-
Italy	(L)	1757.45	-17.17	720 - 770	1780.50	1749.90	1759.22	-1.2	1762.23	-1.1	1765.65	-0.5	75.7
Luxembourg	(LFr)	37.1930	-0.375	680 - 180	37.6700	37.0200	37.118	2.4	36.9665	2.4	36.273	2.5	101.6
Netherlands	(Fl)	2.0280	-0.0215	277 - 282	2.0554	2.0189	2.0238	2.5	2.0152	2.5	1.9775	2.5	100.9
Norway	(NKr)	7.5040	-0.0661	015 - 065	7.6142	7.4640	7.4895	2.3	7.4611	2.3	7.3494	2.1	95.0
Portugal	(Es)	182.770	-1.66	710 - 830	185.010	181.830	182.734	0.2	182.68	0.2	181.51	0.7	92.6
Spain	(Pta)	152.325	-1.575	310 - 340	154.310	151.600	152.28	0.4	152.105	0.6	150.98	0.9	78.0
Sweden	(SKr)	7.8964	-0.0688	926 - 001	7.9802	7.8492	7.8873	1.4	7.868	1.4	7.794	1.3	84.4
Switzerland	(SFr)	1.4892	-0.0106	888 - 896	1.5033	1.4790	1.4839	4.3	1.4732	4.3	1.4277	4.1	105.2
UK	(£)	1.6127	+0.0086	122 - 132	1.6235	1.6045	1.6105	1.6	1.6065	1.5	1.5903	1.4	101.6
Ecu	-	1.0906	+0.0104	902 - 909	1.0952	1.0775	1.092	-1.6	1.0953	-1.7	1.1108	-1.9	-
SDR†	-	0.73675	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9999	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	1.0924	+0.0004	922 - 925	1.0926	1.0921	-	-	-	-	-	-	-
Canada	(C$)	1.3933	+0.0015	930 - 935	1.3950	1.3906	1.3901	2.7	1.3844	2.5	1.3639	2.1	84.4
Mexico	(New Peso)	7.7620	+0.008	600 - 640	7.7650	7.7560	7.8705	-16.8	8.0815	-16.5	8.992	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3386	-0.0005	382 - 390	1.3392	1.3367	1.338	0.5	1.3362	0.7	1.3278	0.8	96.0
Hong Kong	(HK$)	7.7430	-	425 - 435	7.7440	7.7420	7.7435	-0.1	7.7444	-0.1	7.7467	0.0	-
India	(Rs)	36.3750	+0.025	000 - 500	36.4650	36.2900	36.5125	-4.5	36.7975	-4.6	38.01	-4.5	-
Israel	(Shk)	3.5263	-0.0029	215 - 311	3.5324	3.5156	-	-	-	-	-	-	-
Japan	(Y)	118.530	-0.12	480 - 580	118.830	117.700	118.015	5.2	117.015	5.1	112.715	4.9	131.9
Malaysia	(M$)	2.7875	+0.015	860 - 890	2.7935	2.7690	2.792	-1.9	2.801	-1.9	2.831	-1.6	-
New Zealand	(NZ$)	1.5491	+0.0051	485 - 497	1.5502	1.5480	1.5499	-0.6	1.5523	-0.8	1.5624	-0.9	-
Philippines	(Peso)	29.9300	+0.08	800 - 800	30.5000	29.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	505 - 506	3.7508	3.7504	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.4940	-	935 - 945	1.5010	1.4890	1.4923	1.4	1.4885	1.5	1.469	1.7	-
South Africa	(R)	4.6925	-0.0015	910 - 940	4.7130	4.6740	4.733	-10.4	4.8125	-10.2	5.115	-9.0	-
South Korea	(Won)	900.000	-4.5	000 - 000	909.400	897.900	-	-	-	-	-	-	-
Taiwan	(T$)	28.7300	+0.0035	200 - 400	28.7450	28.7170	28.741	-0.5	28.75	-0.3	28.8425	-0.4	-
Thailand	(Bt)	34.0000	-0.1	500 - 500	34.1000	33.6200	34.445	-15.7	35.15	-13.5	38.38	-7.0	-

† SDR rate per $ for Aug 25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 25: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http//www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 26	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3 11/32	3⅜	3 7/16	3 15/32	3 19/32	6.00	2.50	-
France	3¼	3⅜	3 7/16	3 17/32	3¾	3.10	-	4.75
Germany	3⅜	3⅜	3⅜	3 13/32	3 9/16	4.50	2.50	3.00
Ireland	6⅛	6¼	6⅜	6 7/16	6½	-	-	6.75
Italy	6¾	6 21/32	6 19/32	6 17/32	6 15/32	7.75	6.25	6.17
Netherlands	3⅜	3⅜	3 13/32	3 15/32	3 19/32	-	2.50	3.00
Switzerland	¾	1⅛	1 7/32	1 5/16	1 9/16	-	1.00	-
US	5⅝	5 11/16	5 21/32	5 25/32	5 31/32	-	5.00	-
Japan	½	17/32	⅝	⅝	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5 21/32	5 25/32	6 1/16	-	-	-
US Dollar CDs	-	5.43	5.46	5.54	5.73	-	-	-
ECU Linked Ds	-	4¼	4⅜	4 13/32	4 15/32	-	-	-
SDR Linked Ds	-	3 15/32	3⅝	3 23/32	3⅞	-	-	-

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 26	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3 3/16	3 13/32 - 3 11/32	3⅝ - 3 11/32	3 15/32 - 3 13/32	3 19/32 - 3 15/32	3 11/16 - 3 9/16
Danish Krone	3 13/32 - 3 5/16	3 17/32 - 3 13/32	3 9/16 - 3 7/16	3⅝ - 3 17/32	3¾ - 3⅝	4⅛ - 4 1/16
German Mark	3⅛ - 2 31/32	3 7/16 - 3 5/16	3 13/32 - 3 11/32	3 7/16 - 3¼	3 15/32 - 3 11/32	3 11/16 - 3 9/16
Dutch Guilder	3 7/16 - 3 5/16	3 7/16 - 3 5/16	3 11/32 - 3 9/32	3 13/32 - 3⅜	3 9/16 - 3½	3¾ - 3 21/32
French Franc	3¼ - 3⅛	3 5/16 - 3 3/16	3 13/32 - 3 7/32	3 7/16 - 3 5/16	3 9/16 - 3 7/16	3 25/32 - 3 21/32
Portuguese Esc.	5 15/32 - 5 13/32	5½ - 5 13/32	5½ - 5 13/32	5½ - 5 7/16	5 7/16 - 5⅜	5 9/16 - 5 15/32
Spanish Peseta	5 13/32 - 5¼	5⅜ - 5 9/32	5⅜ - 5 11/32	5 11/32 - 5 9/32	5 5/16 - 5 3/16	5 5/16 - 5 7/32
Sterling	7¼ - 7	7¼ - 7⅛	7 3/16 - 7 1/16	7 5/16 - 7 3/16	7 7/16 - 7 5/16	7 19/32 - 7 15/32
Swiss Franc	1 - ½	1 13/32 - 1⅜	1 13/32 - 1 9/32	1 15/32 - 1 11/32	1 21/32 - 1 17/32	1 25/32 - 1 23/32
Canadian Dollar	3¼ - 3 1/16	3 5/16 - 3¼	3½ - 3¼	3 21/32 - 3 17/32	3⅞ - 3⅝	4 5/16 - 4 1/16
US Dollar	5⅝ - 5½	5⅝ - 5½	5 5/8 - 5 17/32	5 21/32 - 5⅝	5 27/32 - 5 23/32	6 1/16 - 5 15/16
Italian Lira	7 13/32 - 6 13/32	6¾ - 6⅝	6⅞ - 6 25/32	6 27/32 - 6¾	6 23/32 - 6 21/32	6½ - 6 13/32
Japanese Yen	9/16 - 7/16	9/16 - ½	9/16 - 17/32	19/32 - 17/32	19/32 - 17/32	11/16 - ⅝
Asian $Sing	3½ - 3⅜	3⅞ - 3¾	4 - 3⅞	4 - 3⅞	4 1/16 - 3 15/16	4⅛ - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF)Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.49	96.51	+0.02	96.53	96.48	11,250	60,984
Dec	96.28	96.31	+0.04	96.34	96.26	20,991	44,999
Mar	96.17	96.19	+0.03	96.23	96.13	9,142	29,607

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.60	96.62	+0.01	96.64	96.60	28315	240217
Dec	96.39	96.40	+0.01	96.43	96.36	44962	292779
Mar	96.22	96.24	+0.01	96.28	96.19	55368	273226
Jun	96.00	96.01	-0.01	96.08	95.93	61090	213750

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	96.74	-	-	-	0	348
Oct	-	96.65	-	-	-	0	265
Nov	-	96.60	-	-	-	0	60
Dec	-	96.39	-0.02	-	-	0	700

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.29	93.26	-	93.30	93.22	13283	97474
Dec	93.61	93.57	-0.04	93.64	93.51	24350	93511
Mar	93.93	93.87	-0.05	93.95	93.80	12268	55508
Jun	94.20	94.13	-0.05	94.20	94.07	5604	46349

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.44	98.43	+0.01	98.46	98.40	10193	63719
Dec	98.14	98.14	-	98.18	98.09	11527	54978
Mar	98.00	98.00	-	98.04	97.94	4015	28193
Jun	97.82	97.80	-0.02	97.83	97.75	3553	9992

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.44	99.44	-	99.44	99.44	125	n/a
Dec	-	99.42	+0.01	-	-	0	n/a
Mar	-	99.34	+0.02	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.61	95.60	-	95.61	95.58	394	9633
Dec	95.51	95.47	-0.01	95.51	95.45	670	10016
Mar	95.45	95.42	-	95.45	95.41	139	6187
Jun	95.39	95.36	-0.01	95.39	95.34	130	3391

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.07	0.40	0.72	0.06	0.08	0.10
9350	0.01	0.24	0.53	0.25	0.17	0.16
9375	0	0.11	0.36	0.49	0.29	0.24

Est. vol. total, Calls 1852 Puts 753. Previous day's open int., Calls 141383 Puts 71311

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.32	4.841	1.814	4725	5.453	20.18	491.4	409.6	21.23	4.004	1.667	3.746	2.689	318.7	2.465
Denmark	(DKr)	54.22	10	8.849	2.625	0.983	2562	2.957	10.94	266.5	222.1	11.51	2.171	0.904	2.031	1.458	172.8	1.337
France	(FFr)	61.28	11.30	10	2.966	1.111	2896	3.341	12.36	301.1	251.0	13.01	2.454	1.022	2.296	1.648	195.3	1.511
Germany	(DM)	20.66	3.810	3.371	1	0.375	976.1	1.126	4.168	101.5	84.60	4.386	0.827	0.344	0.774	0.555	65.83	0.509
Ireland	(I£)	55.13	10.17	8.997	2.669	1	2605	3.006	11.12	270.9	225.8	11.71	2.208	0.919	2.065	1.482	175.7	1.359
Italy	(L)	2.116	0.390	0.345	0.102	0.038	100	0.115	0.427	10.40	8.667	0.449	0.085	0.035	0.079	0.057	6.744	0.052
Netherlands	(Fl)	18.34	3.382	2.993	0.888	0.333	866.6	1	3.700	90.12	75.11	3.894	0.734	0.306	0.687	0.493	58.45	0.452
Norway	(NKr)	49.56	9.141	8.088	2.399	0.899	2342	2.703	10	243.6	203.0	10.52	1.985	0.826	1.857	1.333	158.0	1.222
Portugal	(Es)	20.35	3.753	3.321	0.985	0.369	961.6	1.110	4.106	100	83.34	4.320	0.815	0.339	0.762	0.547	64.85	0.502
Spain	(Pta)	24.42	4.503	3.985	1.182	0.443	1154	1.331	4.926	120.0	100	5.184	0.978	0.407	0.915	0.657	77.81	0.602
Sweden	(SKr)	47.10	8.687	7.686	2.280	0.854	2226	2.568	9.503	231.5	192.9	10	1.886	0.785	1.764	1.266	150.1	1.161
Switzerland	(SFr)	24.98	4.606	4.076	1.209	0.453	1180	1.362	5.039	122.7	102.3	5.302	1	0.416	0.936	0.672	79.59	0.616
UK	(£)	59.98	11.06	9.788	2.904	1.088	2834	3.271	12.10	294.8	245.7	12.73	2.402	1	2.247	1.613	191.2	1.479
Canada	(C$)	26.69	4.923	4.356	1.292	0.484	1261	1.456	5.386	131.2	109.3	5.667	1.069	0.445	1	0.718	85.07	0.658
USA	($)	37.19	6.859	6.070	1.801	0.675	1757	2.028	7.504	182.8	152.3	7.896	1.489	0.620	1.393	1	118.5	0.917
Japan	(Y)	31.38	5.787	5.121	1.519	0.569	1483	1.711	6.331	154.2	128.5	6.662	1.256	0.523	1.175	0.844	100	0.774
Ecu	-	40.56	7.481	6.619	1.964	0.736	1917	2.212	8.184	199.3	166.1	8.612	1.624	0.676	1.520	1.091	129.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5502	0.5570	+0.0070	0.5590	0.5486	19,504	99,359
Dec	0.5535	0.5603	+0.0071	0.5619	0.5534	1,101	5,550
Mar	0.5590	0.5642	+0.0079	0.5642	0.5590	13	1,531

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8443	0.8512	+0.0072	0.8525	0.8443	22,513	82,211
Dec	0.8569	0.8620	+0.0069	0.8620	0.8568	408	2,741
Mar	-	0.8686	-	-	-	114	578

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6691	0.6746	+0.0057	0.6785	0.6668	10,196	51,348
Dec	0.6760	0.6820	+0.0062	0.6842	0.6760	1,004	3,243
Mar	-	0.6900	+0.0074	0.6900	-	12	1,056

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6052	1.6158	+0.0102	1.6248	1.6036	3,868	47,587
Dec	1.6010	1.6118	+0.0120	1.6118	1.6010	148	1,326
Mar	-	1.6040	+0.0108	1.6040	-	6	208

UK INTEREST RATES

LONDON MONEY RATES

Aug 26	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 6¼	7¼ - 7 1/16	7 3/16 - 7 1/32	7 5/16 - 7 3/16	7 7/16 - 7 5/16	7⅝ - 7½
Sterling CDs	-	-	7⅛ - 7 1/16	7 3/16 - 7⅛	7 3/32 - 7 7/32	7 7/16 - 7⅜
Treasury Bills	-	-	6 15/16 - 6 13/16	7 - 6⅞	-	-
Bank Bills	-	-	6 15/16 - 6 13/16	6 31/32 - 6 27/32	7 3/16 - 7 1/16	-
Local authority deps.	7 - 6¾	7 - 6¾	7 3/16 - 7 1/16	7 3/32 - 7 3/16	7 3/32 - 7 7/32	7 1/16 - 7⅜
Discount Market deps	7 - 6⅞	6⅞ - 6¾	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Aug 22, 6.8277pc. ECGD fixed rate Stlg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 23, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.70	92.70	-	92.71	92.69	2987	110462
Dec	92.54	92.54	-	92.55	92.51	14388	127208
Mar	92.51	92.51	-	92.52	92.48	6900	104298
Jun	92.54	92.63	-	92.55	92.50	4532	76478
Sep	92.59	92.59	+0.01	92.59	92.55	1092	55745

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9250	0.20	0.15	0.19	0	0.11	0.18
9275	0.03	0.04	0.08	0.08	0.25	0.32
9300	0	0.02	0.03	0.30	0.48	0.52

Est. vol. total; Calls 700 Puts 280. Previous day's open int., Calls 203648 Puts 212610

EMS EUROPEAN CURRENCY UNIT RATES

Aug 26	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.89457	-0.00276	0.69	2.11	-5
Ireland	0.798709	0.738289	-0.00053	-7.56	11.22	51
Italy	1906.48	1924.15	+0.26	0.93	1.87	-7
Portugal	197.398	200.031	-0.022	1.33	1.46	-9
Spain	163.826	166.690	-0.084	1.75	1.04	-12
Denmark	7.34555	7.50677	-0.00845	2.19	0.60	-15
Netherlands	2.16979	2.21947	-0.00179	2.29	0.51	-17
Germany	1.92573	1.97070	-0.00192	2.34	0.46	-23
Austria	13.5485	13.8678	-0.013	2.36	0.44	-17
Belgium	39.7191	40.6859	-0.04	2.43	0.37	-18
France	6.45863	6.64010	-0.00669	2.81	0.00	-24
NON ERM MEMBERS						
Greece	295.269	310.390	+0.415	5.12	-2.20	-
UK	0.793103	0.677811	+0.003696	-14.54	20.30	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.600	1.62	2.41	3.04	1.10	2.06	2.90
1.610	1.12	1.93	2.57	1.73	2.55	3.45
1.620	0.75	1.52	2.21	2.24	3.14	4.03

Previous day's vol., Calls 70 Puts 30. Prev. day's open int., Calls 36,139 Puts 37,404

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.545	0.85	1.22	1.55	0.34	0.61	0.85
0.550	0.55	0.94	1.26	0.52	0.83	1.07
0.555	0.36	0.70	1.04	0.83	1.10	1.31

Previous day's vol., Calls 380 Puts 1,185. Prev. day's open int., Calls 20,798 Puts 18,175

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.26	94.25	-0.03	94.27	94.25	23,004	478,405
Dec	94.08	94.05	-0.06	94.08	94.05	40,452	489,608
Mar	93.97	93.94	-0.03	93.98	93.93	40,692	354,244

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.89	94.90	-	94.90	94.89	759	6,976
Dec	-	94.78	-0.01	-	94.78	24	2,287
Mar	-	94.70	-0.02	-	94.70	55	1,038

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9625	0.37	0.19	0.20	0.22	0	0.04	0.05	0.07
9650	0.14	0.04	0.06	0.08	0.02	0.14	0.16	0.18
9675	0.01	0.01	0.02	0.02	0.14	0.36	0.37	0.37
9700	0	0	0	0.01	0.38	0.60	0.60	0.61
9725	0	0	0	0	0.63	0.85	0.85	0.85

Est. vol. total, Calls 8230 Puts 6965. Previous day's open int., Calls 378274 Puts 274251

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.04	0.06	0.08	0.11	0.42	0.58
9875	0.01	0.02	0.03	0.33	0.63	0.78

Est. vol. total, Calls 0 Puts 100. Previous day's open int., Calls 4725 Puts 3830

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00		
Citibank NA	7.00	●Leopold Joseph & Sons	7.00	* In administration	
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

COMMODITIES AND AGRICULTURE

Norwegian oil production may top forecasts

By Robert Corzine in Oslo

Norwegian officials are optimistic that offshore production by the world's second largest oil exporter may exceed official forecasts within the next few years.

Tore Sandvold, director general of the Ministry of Petroleum and Energy, said the outlook for the Norwegian petroleum sector is "more robust" than ever before. He said the government has not officially revised its opinion that Norwegian oil production will peak at 3.7m barrels a day around the end of the decade, and stay at that level until 2001, compared with average estimated output for this year of 3.4m to 3.5m b/d.

"But I can't exclude the possibility that the peak might be higher and that output might stay there for a longer period," Mr Sandvold, said in an interview with the Financial Times.

He said additional oil production increases are unlikely to be substantial but an extended production peak could have implications for oil markets in the early years of the next decade, given the large volumes that Norway may then be producing.

Harald Norvik, head of Statoil, the Norwegian state energy group, said the more positive outlook for the offshore oil sector was reflected in the company's latest forecasts. They show Statoil's share of domestic oil production is likely to climb from 445,000 b/d to 500,000 b/d in 2000, and stay there until 2005. Mr Norvik said such a high figure was "surprising" but there was growing confidence in the industry's ability to extract much greater amounts of oil from existing reserves.

Statoil now believes the eventual recovery rate from the giant Statfjord field will reach 70 per cent, compared with around 60 per cent currently and less than 50 per cent originally forecast.

Mr Sandvold warned that such high recovery rates can cause problems when a field approaches the end of its productive life. The decline of fields with overall recovery rates in the 30–40 per cent range can usually be managed over a relatively long period. "But when you get to 60–70 per cent recovery rates and you finally start to decline, production can drop like a stone," he said.

Mr Sandvold said a number of oil companies operating in Norway continue to press the government to adopt a more expansive natural gas production strategy. But he said that would require a "quantum increase in new infrastructure". A higher gas reserve base would also be needed to move to a higher production target, he said.

Canadian wheat output set to fall

By Scott Morrison in Vancouver

A severe drought in the central prairies is likely to result in a 23 per cent decline in Canada's wheat production, contributing to an expected drop in world exports this year, according to a government report.

Canadian producers are expected to produce 23m tonnes of wheat this year, compared with 29.8m tonnes in 1996, after scorching July weather in the prairies marred what had until then been a good growing season.

Canadian farmers produced 5 per cent of global output last year, but Canadian wheat exports equalled 19m tonnes, equal to about 21 per cent of the world's total.

Paul Bullock, director of weather and crop surveillance at the Canadian Wheat Board, said the decline in Canadian wheat production came as producers in the European Union, Australia and Argentina are expecting a reduction in their output.

"Major exporters, with the exception of the US, are all going to be down this year. It will add up to a significant drop," he said.

Spring wheat production is expected to drop to 18m tonnes, 25.3 per cent lower than last year, while durum wheat output will fall to 4.1m tonnes, almost 11 per cent less than in 1996, according to a forecast prepared by Statistics Canada.

The report also said Canada's wheat production will suffer due to farmers having seeded 2.5m acres, or about 10 per cent, less than last year.

Mr Bullock said the wheat board, the state-controlled marketing monopoly, earlier this season had forecast a 10 per cent drop in wheat production this year.

Squeeze on aluminium

MARKETS REPORT

By Kenneth Gooding and Gary Mead

As the squeeze in the London Metal Exchange's aluminium market intensified yesterday, traders said there was concern about the daily backwardation – the cost of rolling a position forward for one day – which surged to more than $20 a tonne.

At present there is no limit on aluminium's daily backwardation, whereas the LME authorities some months ago set a limit for copper of 1 per cent of the previous day's cash price.

Traders pointed out that, if the same limit had been set for aluminium, the daily backwardation would have been restricted to $18 a tonne yesterday. "If there was an automatic 1 per cent limit on all the metals, a lot of these squeezes would never happen," one insisted.

David King, the exchange's chief executive, attended yesterday's ring dealing sessions and said the LME continued to monitor its aluminium and zinc markets carefully.

The premium for immediate delivery, or backwardation, compared with three-month metal, doubled to $120 a tonne in late trading.

LME aluminium stocks have been rising fast because of the big premium for immediate delivery. Stocks jumped by 7.4 per cent to 678,500 tonnes last week and by another 3,200 tonnes yesterday.

The premium for zinc for immediate delivery on the LME, compared with three-month metal, increased to more than $200 a tonne yesterday.

Macquarie Equities suggested in its daily Commodities Report that the LME's zinc stocks would rise in the next few weeks as Chinese producers boosted exports, but said: "Nevertheless, the market is likely to remain extremely tight."

News that Brazil's national statistics institute had reduced its estimate of the country's coffee crop helped produce a modicum of liveliness in otherwise dull London and New York futures markets.

Helped by relatively thin volumes on the London International Financial Futures Exchange, the November contract closed $24 higher, at $1,540 a tonne, while the spot month, September, ended at $1,512 a tonne, up $13.

On the Coffee, Sugar and Cocoa Exchange in New York, the benchmark December contract was trading 6.55 cents higher just before midday, at 167.25 cents a pound.

Tea growers engage in phoney war

In the high hills of Darjeeling, growers of the region's famously aromatic and brightly coloured tea are worried by a double threat to their business.

Output of the tea connoisseur's favourite leaf has stagnated in recent years – while sales of tea from elsewhere labelled as Darjeeling have grown to almost four times the amount sold of the genuine article.

Planters in Darjeeling are infuriated. "We are aware that a lot of tea grown elsewhere is sold to unsuspecting people as Darjeeling tea. This is no good for the image of our tea," says Ashok Lohia, vice-chairman of the Darjeeling Planters Association.

But Mr Lohia thinks the way to solve the problem is to tackle the issue of falling output. "I think the most effective way to control the damage will be to break the stagnation in production in the Darjeeling hills," he says.

According to Vijay Dudeja, chairman of Paramount Tea, a broking firm, Darjeeling tea production fell from 14.5m kg in 1990 to 11.29m kg in 1996. Over the same period the cultivated area fell from 20,065 hectares to 19,100 hectares. Productivity fell from 615 kg to 545 kg a hectare.

"Raising the production there is both capital intensive and highly time consuming. Unfortunately, the majority of the gardens in Darjeeling are not generating surpluses for reinvestment," says Mr Dudeja. Mr Lohia attributes the recent fall in production to the the declining use of chemical fertilisers and pesticides, in response to many European importers refusing to buy Darjeeling tea because of its high level of chemical residues.

"But once the soil degradation is arrested and soil fertility is restored, tea production will start rising. Eleven of the 79 estates accounting for 10 per cent of Darjeeling production have been growing tea organically since 1994. The others have cut down drastically on the use of chemical nutrients and pesticides," says Mr Dudeja.

Industry officials think that more and more estates will switch to organic farming, as those that have already done so have achieved perceptible improvements in the quality of tea.

European and Japanese importers are ready to pay a premium for good quality organic tea, and US consumers are also interested.

Darjeeling's planters know they can get much better value for their tea, provided they set higher standards for plucking. Even though there is a loss of production involved, some gardens have made it a point to pluck the tea leaves when they are between six and 10 days old, to get the ideal flavour.

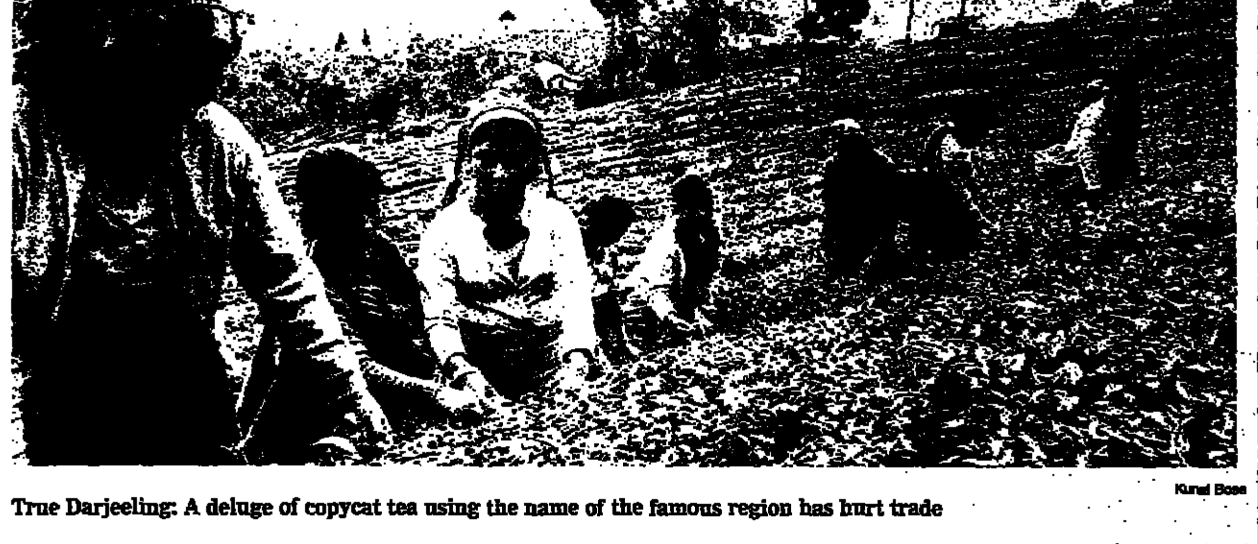
"If you are making fine tippy golden flowery orange pekoe, then the plucking of leaves has to be right and their processing in the factories has to be perfect. But many of the factories making tea in the hills need to be upgraded," says Mr Dudeja.

Most of the estates desperately need modernising but their owners lack the necessary finance. The cost of producing tea in the Darjeeling hills varies from Rs145 a kg to Rs200 a kg, while the average price at the Calcutta auction so far in the current season has been Rs148 a kg.

"Producing tea is much more labour intensive in the hills than in the plains. Wages constitute 60 per cent of the cost of production. The average age of the bushes is over 75 years and they need to be replaced. But if you do any large-scale uprooting of old bushes, then you risk soil erosion," says Ranen Dutta, secretary general of the DPA.

The tea groups have given up hope of getting any more land from the government. "We will be able to do adequate garden development work provided we start getting the right price for Darjeeling tea. I think our tea is highly underpriced and this is because of the lack of a proper marketing strategy," says Mr Lohia.

Kunal Bose



True Darjeeling: A deluge of copycat tea using the name of the famous region has hurt trade
Kunal Bose

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1780-85	1659-60
Previous	1671-73	1626.5-27.5
High/low		1665/1640
AM Official	1762-64	1643-44
Kerb close		1665-66
Open int.	263,091	
Total daily turnover	90,581	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1460-70	1490-95
Previous	1445-50	1475-80
High/low		1500/1480
AM Official	1450-55	1480-85
Kerb close		1495-500
Open int.	5,273	
Total daily turnover	1,562	

■ LEAD ($ per tonne)

Close	628.5-9.5	638-9
Previous	613-14	624-25
High/low		642/635
AM Official	630-31	639-39.5
Kerb close		642-3
Open int.	34,364	
Total daily turnover	11,929	

■ NICKEL ($ per tonne)

Close	6545-55	6640-50
Previous	6555-65	6653-54
High/low	6515/6550	6670/6620
AM Official	6545-50	6660-65
Kerb close		6645-50
Open int.	55,160	
Total daily turnover	17,710	

■ TIN ($ per tonne)

Close	5420-30	5465-70
Previous	5335-45	5385-95
High/low		5475/5420
AM Official	5420-25	5455-56
Kerb close		5460-65
Open int.	15,656	
Total daily turnover	2,818	

■ ZINC, special high grade ($ per tonne)

Close	1685-88	1488-90
Previous	1664-68	1484-86
High/low	1694/1690	1493/1482
AM Official	1687-88	1485-87
Kerb close		1493-94
Open int.	88,153	
Total daily turnover	19,708	

■ COPPER, grade A ($ per tonne)

Close	2213-16	2194-95
Previous	2172-73	2161-62
High/low	2209/2208	2200/2172
AM Official	2207-08	2189-90
Kerb close		2183-84
Open int.	136,379	
Total daily turnover	48,449	

■ LME AM Official £/$ rate: 1.6193
LME Closing £/$ rate: 1.6125

Spot 1.6127 3 mths: 1.6067 6 mths: 1.6013 9 mths: 1.5958

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	99.55	+0.10	100.80	98.70	332	792
Sep	99.80	+0.20	101.20	99.40	4,492	14,971
Oct	99.90	+0.20	100.70	100.10	51	2,132
Nov	99.15	+0.05	100.00	100.00	17	1,520
Dec	98.85	–0.05	100.25	98.70	4,554	15,853
Jan	98.65	–0.35	-	-	1	744
Total					9,701	47,071

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	325.00-325.50		
Opening	324.25-324.65		
Morning fix	325.40	201.30	482.08
Afternoon fix	325.50	201.92	483.53
Day's High	327.20-327.50		
Day's Low	324.25-324.55		
Previous close	324.70-325.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....3.27 6 months 3.29
2 months ....3.28 12 months 3.48
3 months 3.31

Silver Fix	p/troy oz.	US cts equiv.
Spot	287.95	465.90
3 months	292.20	471.00
6 months	296.70	476.55
1 year	305.75	487.85
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	319-321	198-199
Maple Leaf	-	-
New Sovereign	75-77	46-48

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	325.7	+1.1	326.0	324.8	80	86
Sep	326.0	+0.9	-	-	4	-
Oct	327.0	+0.9	328.7	325.6	236	16,120
Dec	329.0	+1.0	330.7	327.2	9,685	113.5k
Feb	330.7	+1.0	332.1	329.7	12	14,922
Apr	332.6	+1.0	333.0	333.0	1	5,393
Total					18,054	201,232

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	404.6	–3.5	410.0	403.0	644	10,307
Jan	398.6	–3.5	402.0	397.5	90	2,654
Apr	393.1	–3.5	400.0	400.0	1	431
Jul	389.1	–3.5	-	-	-	2
Total					735	13,394

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	194.10	–5.90	198.50	194.00	210	1,632
Dec	190.10	–5.90	196.00	190.00	220	2,638
Mar	188.10	–5.90	-	-	12	169
Jun	187.60	–5.90	-	-	-	107
Total					442	4,546

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	465.4	+4.6	-	-	-	-
Sep	465.7	+4.5	466.5	460.0	11,661	30,122
Dec	472.4	+4.3	473.5	465.5	6,165	32,752
Jan	474.0	+4.3	472.0	472.0	2	20
Mar	479.2	+4.3	478.5	476.0	218	11,226
May	483.5	+4.3	484.5	484.5	1	3,078
Total					18,057	84,834

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	19.35	+0.09	19.41	19.16	71,007	102.9k
Nov	19.50	+0.13	19.53	19.32	17,826	45,000
Dec	19.60	+0.11	19.67	19.45	15,172	50,184
Jan	19.65	+0.10	19.67	19.50	2,879	28,680
Feb	19.67	+0.09	19.70	19.65	1,335	13,961
Mar	19.70	+0.11	19.70	19.62	1,428	9,251
Total					118,853	397,811

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	18.28	–0.26	18.32	18.17	23,052	78,932
Nov	18.40	–0.23	18.43	18.30	5,390	24,018
Dec	18.53	–0.22	18.56	18.44	2,731	20,016
Jan	18.55	–0.24	18.60	18.51	1,174	16,260
Feb	18.58	–0.18	18.59	18.54	825	7,072
Mar	18.52	–0.16	18.52	18.50	300	2,633
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	52.45	+0.25	52.65	52.00	11,782	24,739
Oct	53.20	+0.27	53.45	52.75	23,703	40,959
Nov	54.25	+0.27	54.45	53.85	5,399	19,866
Dec	55.25	+0.27	55.51	54.90	8,924	21,725
Jan	56.00	+0.37	56.30	55.60	5,869	16,747
Feb	56.30	+0.37	56.35	56.00	2,358	9,080
Total					68,737	152,900

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	163.00	–3.50	164.50	162.50	9,737	18,331
Oct	165.25	–3.50	166.50	164.50	5,787	18,227
Nov	167.25	–3.50	168.25	166.75	1,873	9,001
Dec	169.00	–3.50	170.25	168.50	1,102	15,058
Jan	170.25	–3.25	171.75	170.25	1,542	9,473
Feb	170.50	–3.00	171.75	170.75	1,099	5,394
Total					20,475	88,678

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Sep	9.020	+0.040	9.020	9.000	50	795
Oct	10.800	+0.020	10.800	10.790	50	1,190
Total					125	7,010

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.540	+0.051	2.560	2.485	38,399	31,231
Oct	2.535	+0.048	2.550	2.491	12,854	52,564
Nov	2.665	+0.042	2.680	2.620	2,595	18,847
Dec	2.775	+0.040	2.785	2.740	2,337	19,242
Jan	2.785	+0.042	2.790	2.750	1,808	18,650
Feb	2.580	+0.030	2.590	2.560	813	13,697
Total					61,219	221,450

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	64.00	–0.50	64.70	63.30	22,135	25,613
Oct	59.10	–0.10	59.20	58.50	16,853	35,321
Nov	56.65	–0.05	56.80	58.10	2,882	12,531
Dec	55.10	+0.05	56.25	55.90	1,112	12,588
Jan	56.10	+0.18	56.20	56.00	842	11,447
Feb	56.22	-	-	-	53	3,534
Total					43,827	106,077

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	86.75	+1.25	86.75	86.50	40	207
Nov	89.00	+0.75	89.00	88.25	90	4,239
Jan	91.00	+0.75	91.00	91.00	14	2,919
Mar	93.00	+0.75	93.25	92.75	14	2,014
May	95.00	+0.75	94.25	94.25	5	1,049
Jul	97.00	+0.75	-	-	-	67
Total					163	10,495

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	364.00	–1.25	366.75	363.00	3,917	16,000
Dec	379.00	–1.25	382.00	378.25	10,783	60,374
Mar	390.50	–1.50	393.00	389.00	1,457	17,250
May	392.00	–3.00	394.00	391.00	203	2,208
Jul	387.50	–0.25	388.50	387.00	235	7,545
Dec	402.50	–0.50	-	-	5	730
Total					16,600	104,128

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	263.75	–7.50	269.50	263.50	13,974	33,508
Dec	267.75	–8.50	274.00	267.50	35,299	183,141
Mar	276.00	–8.75	282.50	275.50	4,958	44,367
May	281.00	–9.00	287.00	280.75	2,683	11,941
Jul	284.25	–8.50	290.00	284.00	1,394	18,293
Sep	266.50	–6.75	272.25	266.50	18	1,586
Total					58,780	303,413

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	79.40	+1.15	79.40	79.40	8	138
Nov	82.15	+0.90	82.15	81.25	41	1,012
Jan	84.25	+1.00	84.00	83.25	50	480
Mar	86.25	+1.00	86.00	86.00	10	277
May	87.75	+1.00	-	-	-	23
Total					109	1,930

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	662.25	–0.50	665.00	657.50	2,986	12,012
Nov	615.25	–4.25	619.00	612.50	19,127	82,886
Jan	616.50	–4.50	620.50	614.50	3,535	18,032
Mar	624.75	–5.25	628.00	623.00	1,378	7,475
May	631.75	–4.00	634.00	630.00	600	5,928
Jul	638.25	–4.50	648.50	636.50	355	6,664
Total					28,017	134,959

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	22.45	–0.32	22.76	22.40	4,196	14,225
Oct	22.65	–0.28	22.94	22.57	2,442	14,700
Dec	22.91	–0.41	23.32	22.88	6,114	39,102
Jan	23.10	–0.42	23.47	23.10	1,608	9,198
Mar	23.40	–0.40	23.70	23.32	484	6,573
May	23.49	–0.46	23.80	23.48	128	2,375
Total					15,282	88,729

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	244.0	–0.9	246.5	241.5	7,615	21,052
Oct	214.0	–0.4	214.8	212.7	4,127	17,539
Dec	203.5	–0.3	203.7	202.0	4,752	43,400
Jan	199.3	–0.5	200.0	198.2	2,016	8,159
Mar	194.5	–0.2	194.8	193.5	727	9,622
May	192.5	–0.8	193.8	192.5	176	4,655
Total					18,929	109,067

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	62.0	-	-	-	-	8
Mar	101.0	+12.0	-	-	-	-
Apr	117.0	+12.0	120.0	107.0	145	1,252
May	132.0	+12.0	-	-	-	2
Jun	147.0	+12.0	-	-	-	-
Total					145	1,262

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1315	-	-	-	-	723
Sep	1440	+24	1440	1410	103	591
Oct	1540	+20	1540	1530	101	1,498
Jan	1540	+20	1540	1535	10	444
Total					214	3,426

	Close	Prev
BFI	1307	1304

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	554.00	+10.00	554.00	552.00	30	213
Dec	572.00	+8.00	572.00	565.00	45	143
Total					75	356

FUTURES DATA
All futures data supplied by CMS.

Minor metals
European free market, from Metal Bulletin. $ per lb, unless otherwise stated. **Antimony:** 99.65%, $ per tonne, 1,880-1,950. **Bismuth:** min. 99.99%, tonne lots 3.35-3.60. **Cadmium:** min. 99.95%, cents a pound, 45.00-55.00. **Cobalt:** MB free market, min. 99.8%, 22.30-23.20; min. 99.3%, 19.50-20.00. **Mercury:** min. 99.99%, $ per 76 lb flask, 145-155. **Molybdenum:** drummed molybdic oxide, 4.35-4.45. **Selenium:** min 99.5%, 1.90-2.90. **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 40-45. **Vanadium:** min. 98%, CIF, 4.05-4.10. **Uranium:** Nuexco unrestricted exchange value, 9.20 (9.30).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1085	+21	1086	1055	997	14,339
Dec	1115	+29	1115	1076	2,371	43,377
Mar	1130	+27	1130	1094	1,132	50,403
May	1143	+28	1143	1108	319	22,624
Jul	1155	+26	1155	1124	218	8,242
Sep	1167	+26	1168	1134	70	11,136
Total					5,172	173,680

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1631	+38	1638	1575	22	1,042
Dec	1653	+38	1655	1598	3,180	37,990
Mar	1680	+35	1681	1630	254	26,838
May	1700	+35	1702	1651	645	12,388
Jul	1717	+35	1715	1668	41	2,532
Sep	1736	+35	1708	1685	117	4,175
Total					4,308	99,863

■ COCOA (ICCO) (SDR's/tonne)

Aug 25	Price	Prev. day
Daily	n/a	1242.59

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1512	+13	1512	1490	3,192	10,207
Nov	1540	+24	1541	1510	3,053	16,851
Jan	1540	+25	1541	1512	914	7,447
Mar	1530	+33	1530	1508	258	1,994
May	1520	+33	-	-	-	307
Jul	1515	+33	-	-	-	62
Total					7,417	36,895

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	178.15	+5.15	178.75	171.50	193	1,000
Dec	166.40	+5.70	168.00	159.00	1,449	10,056
Mar	152.50	+4.35	153.00	148.00	155	4,041
May	146.75	+3.85	146.50	142.00	35	1,290
Jul	141.50	+3.60	138.50	138.50	4	1,001
Sep	136.25	+2.85	136.40	133.50	2	291
Total					1,838	17,808

■ COFFEE (ICO) (US cents/pound)

Aug 25		Prev. day
Comp. daily	125.07	124.61
15 day average	132.10	133.05

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	326.9	–0.2	327.2	325.0	1,635	13,090
Dec	324.9	+0.4	325.0	323.9	372	8,583
Mar	326.5	+0.2	327.0	324.0	627	8,375
May	324.8	+0.3	325.3	323.8	114	2,114
Aug	323.0	+0.1	322.9	322.5	3	964
Oct	318.2	+0.7	318.1	318.0	5	2,463
Total					2,756	33,696

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.79	+0.13	11.80	11.63	6,196	95,362
Mar	12.11	+0.18	12.13	11.93	2,978	69,255
May	12.06	+0.15	12.07	11.90	618	16,578
Jul	11.94	+0.15	11.94	11.79	204	10,163
Oct	11.92	+0.13	11.92	11.79	104	9,165
Mar	11.83	+0.06	11.75	11.75	10	1,489
Total					10,110	262,141

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	72.27	–0.83	72.90	72.05	976	7,257
Dec	72.65	–0.70	73.25	72.40	5,591	42,891
Mar	74.12	–0.53	74.50	73.95	1,072	12,340
May	74.95	–0.47	75.30	74.77	516	5,104
Jul	75.60	–0.65	76.20	75.60	235	5,110
Oct	75.35	–0.15	75.80	75.65	2	671
Total					8,498	80,124

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	67.40	–0.20	67.75	67.30	2,490	7,920
Nov	69.35	–0.35	69.90	69.00	2,530	13,851
Jan	72.30	–0.30	72.80	72.00	305	6,438
Mar	75.25	–0.20	75.90	75.00	389	4,271
May	78.05	–0.40	78.75	78.10	5	1,178
Jul	80.70	–0.45	80.75	80.50	6	496
Total					5,726	34,483

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Aug 26	Aug 22	month ago	year ago
n/a	1895.4	1913.6	1948.0

■ CRB Futures (Base: 1967 = 100)

Aug 25	Aug 22	month ago	year ago
235.99	235.99		

■ GSCI Spot (Base: 1970 = 100)

Aug 23	Aug 22	month ago	year ago
191.03	192.99	188.20	199.49

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+3,200	to	681,700
Aluminium alloy	–140	to	54,300
Copper	+525	to	273,100
Lead	–225	to	117,875
Nickel	–54	to	58,890
Zinc	–725	to	380,775
Tin	+25	to	10,775

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	68.975	+0.25	69.150	68.600	3,984	48,125
Dec	70.475	+0.15	70.600	70.125	2,412	23,536
Feb	72.800	+0.225	72.850	72.400	742	11,780
Apr	74.625	+0.15	74.725	74.350	386	5,842
Jun	71.400	+0.125	71.500	71.100	481	3,906
Aug	70.900	+0.05	71.200	70.900	167	691
Total					8,169	93,887

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	69.350	–1.575	70.400	68.975	2,238	18,118
Dec	66.800	–1.175	67.400	66.175	909	8,746
Feb	65.725	–1.175	66.550	65.350	316	3,058
Apr	62.200	–0.625	62.675	62.000	60	1,612
Jun	67.125	–0.45	67.475	67.000	4	668
Jul	65.350	–0.45	65.450	65.300	21	660
Total					2,895	21,542

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	85.825	–3	89.200	85.825	224	257
Feb	68.050	–3	71.450	68.050	736	3,618
Mar	68.100	–3	71.450	68.100	39	311
May	69.350	–3	71.800	69.350	4	32
Jul	71.000	–1.4	71.000	71.000	2	19
Total					1,007	4,253

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1600	58	113	5	49
1650	24	86	21	70
1700	7	63	54	97
■ COPPER (Grade A) LME	**Sep**	**Dec**	**Sep**	**Dec**
2150	68	112	12	87
2200	34	89	30	112
2250	15	69	60	142
■ COFFEE LIFFE	**Nov**	**Jan**	**Nov**	**Jan**
1500	107	155	67	115
1550	85	131	95	141
1600	66	110	126	170
■ COCOA LIFFE	**Dec**	**Mar**	**Dec**	**Mar**
1050	96	129	31	49
1075	81	114	41	59
1100	67	129	52	71
■ BRENT CRUDE IPE	**Oct**	**Nov**	**Oct**	**Nov**
1800	-	-	33	51
1850	-	-	55	-
1900	15	-	90	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.15-7.19w	-0.42
Brent Blend (dated)	$17.89-7.90	-0.39
Brent Blend (Oct)	$18.25-8.26	-0.355
W.T.I.	$19.35-9.38w	-0.365

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$224-228	-3
Gas Oil	$162-163	-2
Heavy Fuel Oil	$89-91	
Naphtha	$185-186	-0.5
Jet fuel	$180-181	-3
Diesel	$166-168	-2.5

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	9.05-9.15

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

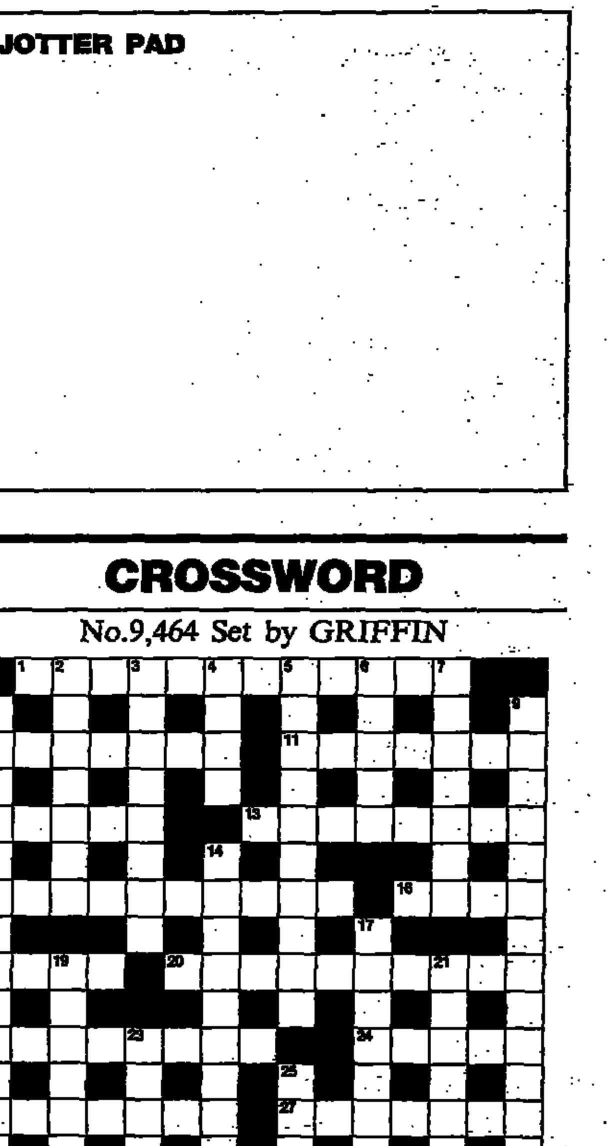
Gold (per troy oz)♣	$325.25	+0.30
Silver (per troy oz)♣	467.00c	-3.00
Platinum (per troy oz.)	$406.00	-6.00
Palladium (per troy oz.)	$197.00	-1.00
Copper	105.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.70r	+0.20
Tin (New York)	255.5	+4.0
Cattle (live weight)	100.71p	+0.20*
Sheep (live weight)	113.08p	+3.85*
Pigs (live weight)†	66.68p	-3.23*
Lon. day sugar (raw)	$285.40	+2.70
Lon. day sugar (wte)	$350.00	+2.10
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Sep)♥	59.00p	
Rubber (Oct)♥	59.00p	
Rubber (KL RSS No1)	253.5z	+2.5
Coconut Oil (Phil)§	572.5y	+2.5
Palm Oil (Malay.)§	492.5z	
Copra (Phil)§	$380.0y	
Soyabeans (US)	214.0	
Cotton Outlook'A' index	81.05c	
Wooltops (64s Super)	428p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. z Aug. w Oct. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,777 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,464 Set by GRIFFIN



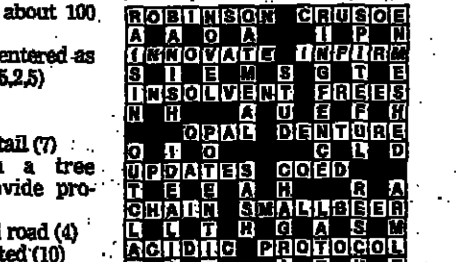
ACROSS

1 Feel pound should get you a quick snack? (6,6)
10 Crooked dealing brought into line (7)
11 Writer returned to attack its new form (7)
12 Shrub outside Rhode Island pub (5)
13 Regrets move to imprison me, which is ghastly (8)
15 Ignorant of key used after little air is transposed (10)
16 Hardback is about to create a record (4)
18 Confine to school entrance (4)
20 Fancy colour scheme Evita rejected (10)
22 Little singers bustle busily round it (8)
24 Taxi is in reverse, that's essential (5)
26 Subject to vitality and experience (7)
27 Eccentric orders about 100 logs (7)
28 Collapsed and is entered as "came to grief" (5,2,5)

DOWN

2 First in, I turned tail (7)
3 Information on a tree designed to provide produce (8)
4 Travelled the said road (4)
5 Got down and rested (10)
6 Fellow crippled by burning gas (5)
7 Where I will follow an excursion round Leatherhead (7)
8 Sportsman caught taking the Archers' place down (9,4)
9 Reach crushed car and see badly injured person? (9,4)
14 Clergymen stood holding hands initially, under ramshackle pier (10)
17 Be joining queue, say, after pub meal, alfresco (8)
19 Student turned round holding roll (7)
21 Fashionable and guaranteed right, one will cover you (7)
23 Ready to drop price of it I reduced some (5)
25 Head gardener raced after old lady (4)

Solution 9,463



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

American Phoenix Investment Portfolios (u)

12 rue Goethe L-1637 Luxembourg 00 352 40464621

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
[illegible] Multinational Ptflo		Ecu74.23		-0.08	-
[illegible] Multinational Ptflo		$29.46		-0.03	-
[illegible] Multinational Ptflo		£18.39		-0.06	-
[illegible] Multinational Ptflo		L46437		-157	-
[illegible] Multinational Ptflo		DM47.48		-0.17	-
Global Multinational Ptflo		Ecu[illegible]		-0.32	-
Global Multinational Ptflo		$24.72		-	-
Global Multinational Ptflo		£15.28		-0.15	-
Global Multinational Ptflo		L43378		[illegible]	-
Global Multinational Ptflo		DM44.44		-0.65	-
US Growth Companies		$17.60		+0.05	-
US Growth Companies		£10.88		+0.03	-
US Growth Companies		L30883		+77	-
US Growth Companies		DM31.64		+0.08	-
US Real Estate Securities		$15.53		-0.02	-
US Real Estate Securities		£9.60		-0.02	-
US Real Estate Securities		L27253		-38	-
US Real Estate Securities		DM27.92		-0.04	-

BAII Asset Management Ltd

10 Piccadilly, London W1V 0EE 0171 734 3700

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
[illegible] (NAV) Aug 14 F		$860.16		-	-
Intraportfolio Fund					
Convertible (US$) Jul 31		$780.93		-	-
Convertible (FFr) Jul 31 F		FFr[illegible]		-	-

Bank Von Ernst & Cie AG

Marktgasse 63/65 3001 Berne, Switzerland 0041 31 3291 111

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
UK Equity		£17.64		-	-
UK Smaller Co's Eqty		£26.76		-	-
Nth American Equity		$17.28		-0.03	-
US Smaller Co's Eqty		$24.78		+0.07	-
Pacific Basin Equity		$16.39		-0.08	-
Japanese Equity		Y557		+4	-
European Equity		DM[illegible]		+0.02	-
Swiss Equity		SFr18.14		-0.05	-
Sterling Fixed Int		£15.86		+0.01	-
Sterling Fixed Int Dis		£10.57		-	-
European Fixed Int		DM[illegible]		-	-

Foreign & Colonial Portfolios Fd Sicav(a)

33 Boulevard Prince Henri, L-1724 Lux 00 352 [illegible]

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Am Smlr Cos Eq F		$43.43		-0.01	
Japanese Smlr Cos Eq F		Y884.00		-1.00	
European Smlr Cos Eq F		Ecu17.58		[illegible]	
Emerging Asian Eq F		$21.68		[illegible]	
Sterling Bala F		£9.93		[illegible]	
Sterling Distribution F 5		£9.51		[illegible]	

Frontrunner I (u)

672 rue de Neudorf, Luxembourg 00 352 [illegible]

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
European Equities		Ecu172.38			
Global Bonds		DKr178.75			
Global Bonds		DM156.72			
Sterling Fund		£190.38			
Danish Bonds		DKr179.06			
Swedish Bonds 3		SKr159.19			
German Bonds		DM106.11			
Dollar Bonds 3		$101.05			
Scandinavian Equities		Ecu294.36			
Far East Equities		$87.90			
North American Equities 5		$107.84			
Danish Kroner Reserve		DKr111.22			
Swedish Kroner Reserve		SKr116.94			
German Mark Reserve		DM108.28			
US Dollar Reserve 3		$107.42			
ECU Reserve		Ecu111.16			
Norwegian Kroner Reserve		NKr100.17			
Garant 2/1998 3		DM122.76			
Bonds 2/1998 3		DM103.19			
Bonds 2/1999		DM102.09			
Danish Mortgage Bonds		DKr101.77			
Danish Long Bonds		DKr102.38			

GT Global

(44) 171 710 4567 London

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£27⅜	—	£27⅜	£20¼	2,091	2.7	ϕ
Barlow	♣†	£7⅜	—	£8⅛	£5¼	1,488	2.0	15.5
Gold Flds Prop R	†	144	-2	187	122	14.7	6.0	11.2
SA Brews		£18⅞	+⅛	£20⅞	£13¼	5,590	2.0	ϕ
Standard Bank		£28⅜	-⅜	£30	£21	3,449	1.9	ϕ
Tiger Oats	†	1017	—	1100	790	1,337	1.8	19.7
Tongaat-Hulett		763½	-3½	788¼	676¼	741.3	2.5	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on *Monday*

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR Headline Earnings formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. R Dividend is paid in whole or part as [illegible]

FD Foreign Income Dividend. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: [illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

Interest rate worries unsettle UK stocks

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Renewed fears that emerging inflationary pressures might trigger a rise in German interest rates after the next meeting of the Bundesbank Council – scheduled for Thursday week – sparked another Europe-wide fall in stock markets yesterday.

London, where high levels of liquidity mean that the stock market is one of Europe's fastest movers, could not resist the trend and experienced another session of rather exaggerated swings in share prices.

The FTSE 100 index followed up last Friday's 76.9 loss with a further 14.8 decline to 4,886.3, extending the fall over the two sessions to 1.8 per cent.

Sentiment in London was further dented by persistent concerns that the next meeting of the US Federal Reserve's Open Market Committee, due on September 30, might result in an increase in US rates.

Those fears were behind a weak opening on Wall Street, where the Dow Jones Industrial Average dropped over 40 points shortly after the start of trading.

The UK market's second line stocks and smaller issues, although lower across the board, were never anything like as weak as the leading stocks. The FTSE 250 index finished the day 8.7 off at 4,650.0, compared with a session low of 4,649.3, while the FTSE SmallCap index closed only 0.3 down at 2,253.1.

Dealers complained about the low level of attendance in the market yesterday with many fund managers and marketmakers happy to take extended holidays in the knowledge that turnover levels are always down in the period around bank holidays.

"It became clear early on that much of the activity in the market was computer-driven, in other words, it was tracker fund business, which is becoming increasingly a factor in the market," said one equities salesman.

London began the session in resolute fashion, with market markers happy to lift their opening quotations because of the startling recovery on Wall Street on Friday. When London closed for business on Friday the Dow was over 100 points lower, and recorded a 177-point fall later in the session. However, a late rally allowed the Dow to finish only 6 points lower, while on Monday it dropped by 28 points.

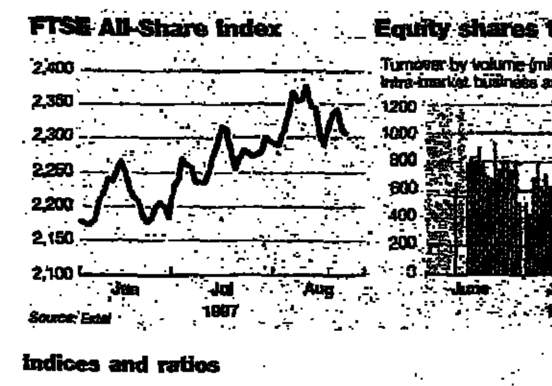
Up 23 points early on, Footsie suddenly began to give ground, with global bond markets prompting a sell-off in equities across Europe. Footsie quickly relinquished its initial gains and dropped like a stone to post a near-50 point fall around midday, before clawing its way back during the rest of the session.

Gilts provided some support, with the benchmark 10-year issue closing unchanged.

Typically after the bank holiday, turnover in the market was restrained by the low attendance – at the 6pm cut-off point volume in equities was a poor 619m shares.

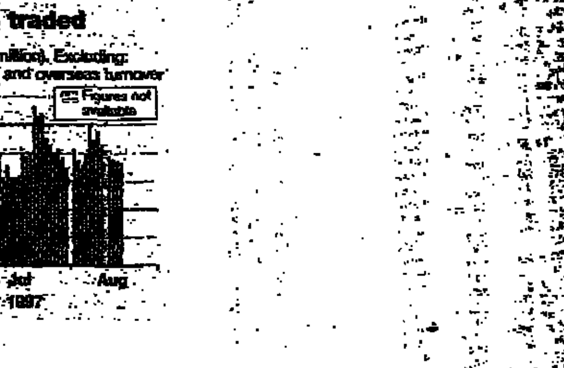
Untypically, turnover by volume in the FTSE 100 eclipsed that of the rest of the market. Shell, BT and BTR accounted for over 15 per cent of overall market turnover.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Indices and ratios

FTSE 100	4886.3	-14.8	FT 30	3129.0	-14.1
FTSE 250	4650.0	-8.7	FTSE Non-Fins p/e	19.78	19.84
FTSE 350	2359.2	-6.6	FTSE100 Fut Sep	4900.0	+0.0
FTSE All-Share	2306.04	-6.07	10 yr Gilt yield	7.13	7.16
FTSE All-Share yield	3.45	3.39	Long gilt/equity yld ratio	2.07	2.11

Best performing sectors		Worst performing sectors	
1 Tobacco	+3.1	1 Telecommunications	-3.1
2 Electricity	+0.7	2 Utilities	-1.2
3 Health Care	+0.7	3 Insurance	-0.6
4 Oil Exploration	+0.6	4 Media	-0.6
5 Leisure & Hotels	+0.4	5 Engineering: Vehicles	-0.5

Abbey talk persists

It may have been no more than post bank holiday silliness but some talk about Abbey National's independence was creeping around the market yesterday.

Lord Tugendhat, Abbey's chairman, stamped very firmly on the speculation when figures were announced at the end of July. He made comments that dismissed at a stroke both National Westminster Bank, whose approaches Abbey rebuffed earlier this year, and Prudential Corp, the leading UK life assurer with which Abbey has also talked.

Lloyds TSB is also mentioned by banking analysts as an obvious fit with the former building society. Yesterday it announced a £100m disposal which, although small, might have been seen as a deck-clearing move.

The speculation was of a bid this morning from an unnamed rival at £10.50 a share, which would value Abbey at £14bn.

However, if any high profile corporate activity was imminent, the company finance directors would almost certainly be on hand. Both Lloyds and Abbey National said yesterday that their respective finance directors were away on annual leave.

Both companies' share prices were overshadowed by general profit-taking in the sector but Abbey recovered from earlier lows to end the day 7 off at 822½p while Lloyds closed steady at 724½p.

BT shares continued their volatile run as the stock chalked up the biggest fall in the FTSE 100, with a fall of 21½ to 414½p in brisk trade of 34m. There was also a large number of options dealt, with the equivalent of another 6m changing hands in a series of transactions said to be carried out on Liffe by UBS.

The decline was said to be sparked by news that the new merger deal with MCI did not include an escape clause, coupled with profit-taking after the rise on Friday.

Sentiment in the stock was not helped by a bearish note issued yesterday by Dresdner Kleinwort Benson. James Dodd at the broker has recommended clients to sell into the opportunity presented by arbitrageurs closing their short BT positions. He adds: "BT shareholders have been presented with the chance of a lifetime opportunity – to vote against a potentially disastrous deal – we recommend they do just that."

Elsewhere in the sector, Vodafone saw brisk trade of 9.4m, but closed unchanged at 314p ahead of an analysts' visit to the company today.

Pharmaceuticals stocks, which have led the UK market lower over the past month, steadied yesterday as Dresdner Kleinwort Benson called the bottom.

Since hitting their peaks in mid-to-late July, SmithKline Beecham and Zeneca have fallen 14 per cent while Glaxo Wellcome has slipped more than 12 per cent.

And, while some further information about the strength of sterling came out of the reporting season, underlying trade remains strong.

Most of the fall has purely reflected the overall market weakness. But Philip Isherwood, Kleinwort's UK market strategist, was arguing yesterday that, when the buyers move into the market, the biggest sectors would be the first to benefit.

He pointed out that UK pension and investment funds were heavily underweight in pharmaceuticals, which represent 8.6 per cent of the FTSE All-Share index. On the other hand, statistics provided by Citywatch, the independent fund management data provider, show that overseas funds have an adjusted weighting of almost 16 per cent. That could make it very difficult for UK institutions to adjust their positions and lead to severe squeezes in the sector.

Glaxo eased 5 to £12.23½, SmithKline Beecham, on the first day of its share split, fell 4¾ to 532¼p and Zeneca shed 5½ to £19.41.

BAT Industries lifted 19½ to 533½p after the conglomerate's US cigarette subsidiary reached an agreement with the state of Florida about litigation payments. Analysts said the pact increased the chances of a US national agreement being favourable to the tobacco companies. SocGen reiterated its strong buy stance.

Burmah Castrol lifted 16½ to £11.02½ as BZW reiterated its "buy" recommendation on the stock ahead of first-half results next Monday.

Enterprise Oil gained 6¼ to 689½p on news that it had increased its stake in the Pierce Field in the central North Sea to 74 per cent from 31 per cent following an asset swap with BP. It also received official government approval to develop the field.

BOC, the industrial gases company which said a fortnight ago that the appreciation of sterling would knock up to £46m off full-year profits, was easier in early trading following a sell note from Deutsche Morgan Grenfell. The broker says BOC has outperformed the FTSE All-Share index by 10 per cent this year and the shares are trading on "an unjustifiably high valuation". The shares rallied later to end marginally firmer at £11.08p.

Elsewhere in the sector, MeesPierson Securities yesterday published detailed research into the sports retailers. It ranks Blacks Leisure, which eased to 401½p, "the best managed of all the sports retailers", and said it has come a long way "from the chaos of the late 80s when it was a dog's breakfast".

Richard Ratner at the broker has told clients that shares in John David Sports, unchanged at 180½p, "have fallen far enough". He says clients should reduce holdings in JJB Sports, static at 465p, while they should buy stock in Owen & Robinson, steady at 7¼p.

Ladbroke Group, which stood at 245½p at the beginning of the month, advanced 1½ to 261½p in busy trade of 3.4m, ahead of its interim results on Thursday. These are expected to show pre-tax profits rising more than 20 per cent to over £100m. Frazer Ramzan at Lehman Brothers has told investors: "These results represent a fantastic turnround for a company which many wrote off 18 months ago".

The continued strength of sterling took its toll, with Wolseley off 9 at 449p, RMC Group down 15 at £10.30, Siebe easing 14¼ to £10.81, and GKN giving up 12 to £11.72½. However, British Steel advanced 1¾ to 176¼p in volume of 13m, helped by buying interest said to be from the US.

Style Holdings, the mens wear fashion group, advanced from its placing price of 71½p to finish its first day of trading at 83½p. MAM retains a 17 per cent stake in the company.

A profits warning from Eurocopy saw its shares tumble 26p to 32p after it said results would decline.

FT 30 INDEX

	Aug 26	Aug 22	Aug 21	Aug 20	Aug 19	Yr ago	*High	*Low
FT 30	3129.0	3143.1	3183.6	3167.2	3156.0	2835.3	3222.3	2668.8
Ord. div. yield	3.64	3.52	3.46	3.48	3.50	4.02	4.22	3.39
P/E ratio net	17.91	18.39	18.67	18.61	18.49	17.15	19.07	15.80
P/E ratio nil	17.73	18.20	18.48	18.42	18.30	16.99	18.88	15.71

FT 30 since compilation: high 3226.5 12/08/97, low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3144.1	3146.9	3119.0	3121.3	3112.8	3115.6	3115.4	3118.1	3125.8	3149.5	3112.6

	Aug 26	Aug 22	Aug 21	Aug 20	Aug 19	Yr ago
SEAQ bargains	40,113	43,804	41,118	42,395	42,486	34,938
Equity turnover (£m)†	-	NA	NA	2307.8	2221.0	1286.8
Equity bargains†	-	NA	NA	41,357	42,425	38,003
Shares traded (ml)†	-	NA	NA	672.0	738.7	476.2

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	553	Total Highs	44	Total contracts	21,088
Total Falls	795	Total Lows	64	Calls	11,523
Same	1,730			Puts	9,565

Aug 26 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point. (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4925.0	4907.0	+7.0	4945.0	4830.0	9393	69448
Dec	4991.0	4970.0	+6.0	4991.0	4921.0	362	7091
Mar	-	5015.0	+6.0	-	-	0	1700

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	4712.0	-6.0	-	-	0	9103

■ FTSE 100 INDEX OPTION (LIFFE) (*4880) £10 per full index point

	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P
Sep	247	35	218	48	172½	62½	139½	80½	110	103	83	129	61½	160½	43	195½
Oct	297	71	260½	85	225	100	195½	122	168	144½	137	168½	115	198½	93½	228
Nov	348	99	309	113	276½	131	247	151½	217½	172½	187½	195	164	222½	142	252½
Dec	387	119½	350	135	320½	155	288	175	257½	196½	228	218	203½	245½	182	275
Jan†	327½	192			468	228			404½	265½			353	315		

Calls Puts

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P
Sep	223½	42½	185½	54½	151	69	128	88	93	110½	69½	137½	58½	168	35	202½
Oct	272½	75½	238	90½	205	107	175	128½	147½	148½	122	172½	100	200	81	230
Nov	329½	107½	296	123	263	139	232	157½	203	177½	176	199½	152	225	130½	252
Dec	366	127			301½	160			242½	199			191	244½		
Mar†	451½	173½			389	207			332½	246			280	289½		

Calls Puts * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	398	Antofagasta Uts	401½		-	-	-	-
*	F.P.	7.94	80½	70½	†Blakes Clothing	79½		L1.45	5.1	2.3	8.7
-	F.P.	84.8	109¾	101	Bristol & W Prf	108		-	-	-	-
§100	F.P.	26.9	145	109½	Cammell Laird	136		L3.8	2.1	3.5	13.1
	F.P.	-	116	114	EMI B	115		Z2.75	-	3.1	-
*	F.P.	9.92	117½	117½	Fairfield Ents	117½		W2.0	7.9	2.1	7.4
§-	F.P.	7.24	65	55	†GR Holdings	55		-	-	-	43.6
§150	F.P.	258.9	213½	162½	Galen Hldgs	213½	+7½	L0.9	5.7	0.5	34.4
§125	F.P.	5.75	135	97½	†Helicon Publsg	98		-	-	-	-
§	F.P.	523.2	396½	348½	Ionica	349	-6½	-	-	-	-
§160	F.P.	17.0	175½	172½	†Kingfisher Leis	175½		LW2.0	6.0	1.4	14.8
*	F.P.	-	79½	76½	†LEPCO	78½		-	-	-	-
§80	F.P.	4.21	98	93	†Landround	94½		3.3	1.7	4.4	16.8
§173	F.P.	43.1	217½	185½	Metroline	200½	-1	R5.8	2.8	3.8	12.0
100	F.P.	32.7	112½	89½	Resbourne Merlin	108½		-	-	-	-
§100	F.P.	7.81	120½	105½	†SBS Group	110	+½	L2.4	2.0	2.7	19.4
-	F.P.	-	38½	30	Severn Trent B	33½		-	-	-	-
-	F.P.	-	54½	42½	†Stentor Warrants	53½		-	-	-	-
*	F.P.	13.1	83½	77½	†Style Holdings	83½		W1.5	4.4	2.2	11.2
	F.P.	-	22¼	19½	Thorn B	20½		-	-	-	-
-	F.P.	77.5	68½	60	Vighen Tech	63½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Aug 26	% chg on day	Aug 22	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1446.77	-0.3	1451.28	2045.05	2.19	-	2081.05	1270.14
■ Regional Indices								
Africa (14)	1442.80	+0.3	1438.49	2582.82	5.31	23.91	2695.89	1324.06
Australasia (6)	1604.34	+0.3	1599.56	2442.44	3.32	18.35	2442.44	1336.10
North America (11)	1441.74	-0.6	1450.57	1846.55	0.97	73.24	1854.46	1344.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Aug 26	Day's chge%	Aug 22	Aug 21	Aug 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4886.3	-0.3	4901.1	4976.0	4958.4	3905.7	3.45	1.98	18.28	115.99	2097.15
FTSE 250	4650.0	-0.2	4658.7	4688.0	4687.4	4428.3	3.58	1.59	22.01	101.45	1949.02
FTSE 250 ex IT	4660.9	-0.2	4668.8	4693.8	4694.5	4465.1	3.72	1.62	20.80	104.63	1959.40
FTSE 350	2359.2	-0.3	2365.8	2398.7	2391.0	1954.5	3.47	1.90	18.90	55.15	2067.39
FTSE 350 ex IT	2360.0	-0.3	2366.8	2399.5	2391.7	-	3.50	1.91	18.66	23.11	1060.67
FTSE 350 Higher Yield	2271.1	-0.2	2275.2	2295.2	2279.8	1865.5	4.61	1.76	15.44	66.65	1689.55
FTSE 350 Lower Yield	2450.1	-0.4	2459.0	2503.3	2502.3	2050.8	2.55	2.12	23.12	43.51	1754.17
FTSE SmallCap	2253.12	.....	2253.44	2258.99	2250.93	2158.95	3.19	1.74	22.56	44.58	1919.53
FTSE SmallCap ex IT	2224.36	.....	2223.32	2224.73	2216.46	2150.99	3.44	1.82	19.93	47.89	1911.76
FTSE All-Share	2306.04	-0.3	2312.11	2342.50	2334.91	1930.18	3.45	1.89	19.10	53.35	2050.63
FTSE All-Share ex IT	2306.84	-0.3	2312.98	2343.30	2335.63	-	3.50	1.91	18.73	22.47	1055.21

■ FTSE Actuaries Industry Sectors

	Aug 26	Day's chge%	Aug 22	Aug 21	Aug 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4805.97	-0.2	4816.31	4933.19	4910.71	3655.84	3.22	1.93	20.10	98.75	2157.06
12 Extractive Industries(5)	4213.32	.....	4213.86	4239.95	4227.42	4326.51	3.74	2.38	14.04	104.80	1287.88
15 Oil, Integrated(3)	5086.23	-0.3	5102.92	5246.55	5216.44	3730.10	3.32	1.86	20.22	107.40	2348.41
16 Oil Exploration & Prod(12)	3789.15	+0.6	3766.98	3803.32	3807.62	2661.09	1.67	2.04	36.58	38.65	2321.90
20 GEN INDUSTRIALS(263)	2024.66	-0.2	2029.02	2047.79	2047.30	2056.29	3.93	1.76	18.03	49.11	1161.28
21 Building & Construction(35)	1383.90	-0.3	1387.65	1394.07	1395.49	1182.16	3.23	1.98	19.61	26.45	1205.01
22 Building Matls & Merchs(30)	1849.39	-0.4	1855.94	1879.31	1875.06	1953.19	4.36	1.74	16.53	42.64	977.80
23 Chemicals(26)	2662.55	+0.2	2657.37	2705.67	2708.24	2423.71	3.83	1.63	20.06	71.65	1331.71
24 Diversified Industrials(15)	1410.27	-0.5	1417.45	1432.68	1443.16	1540.77	5.17	2.01	12.05	46.48	841.72
25 Electronic & Elect Equip(37)	2131.73	-0.2	2135.60	2172.17	2172.72	2379.35	3.85	1.64	19.86	49.05	1159.24
26 Engineering(66)	2724.04	-0.1	2727.94	2735.87	2725.33	2506.22	3.10	2.34	17.26	52.44	1718.91
27 Engineering, Vehicles(13)	3027.97	-0.5	3043.69	3058.02	3054.18	3146.59	3.34	‡	‡	65.84	1635.87
28 Paper, Pckg & Printing(27)	2148.88	-0.2	2153.13	2158.18	2158.10	2749.45	4.91	1.78	14.27	63.44	941.92
29 Textiles & Apparel(14)	1022.96	-0.2	1024.78	1024.08	1025.56	1257.06	6.84	0.99	18.51	41.67	673.18
30 CONSUMER GOODS(84)	4505.74	.....	4505.01	4607.63	4583.00	3642.54	3.69	1.68	20.13	114.41	1749.95
32 Alcoholic Beverages(7)	3263.90	-0.2	3270.06	3306.88	3299.89	2893.03	3.86	1.99	16.30	90.96	1246.24
33 Food Producers(25)	3043.69	-0.3	3054.20	3105.16	3102.20	2539.49	3.62	1.86	18.51	69.99	1443.16
34 Household Goods(17)	3155.66	+0.2	3148.94	3176.19	3160.81	2583.52	3.23	2.32	16.72	54.26	1297.56
36 Health Care(14)	2299.24	+0.7	2283.32	2286.70	2288.40	2019.81	2.58	1.61	29.99	36.49	1444.18
37 Pharmaceuticals(18)	7149.39	-0.5	7184.22	7430.55	7373.99	5461.20	3.20	1.40	27.80	153.38	2525.90
38 Tobacco(3)	4443.28	+3.1	4309.43	4334.39	4295.70	3697.54	6.34	1.81	10.91	225.73	1204.59
40 SERVICES(270)	2715.83	-0.2	2721.21	2747.52	2739.38	2596.13	2.97	1.98	21.33	53.22	1469.35
41 Distributors(30)	2813.81	-0.1	2816.92	2865.81	2872.64	2855.27	3.34	1.93	19.40	54.79	1079.51
42 Leisure & Hotels(31)	3246.50	+0.4	3233.62	3244.71	3217.52	3244.21	2.87	1.92	22.72	70.76	1803.18
43 Media(41)	4038.17	-0.6	4060.65	4101.05	4098.10	4437.78	2.50	1.94	25.82	79.81	1507.46
44 Retailers, Food(15)	2417.44	.....	2416.55	2437.88	2422.54	2038.91	3.43	2.26	16.08	53.26	1614.40
45 Retailers, General(53)	2216.64	.....	2216.59	2239.61	2241.62	2163.14	3.19	2.03	19.27	45.88	1323.56
47 Breweries, Pubs & Rest.(22)	3326.43	-0.4	3339.80	3386.22	3405.65	3177.14	3.41	2.29	16.04	62.74	1883.75
48 Support Services(55)	3087.35	-0.3	3098.19	3120.96	3084.28	2473.07	1.70	2.59	28.47	30.19	2013.64
49 Transport(23)	2872.84	-0.4	2882.98	2909.93	2884.38	2403.44	3.49	1.23	29.03	61.92	1255.25
60 UTILITIES(31)	3090.82	-1.2	3128.84	3120.93	3056.91	2372.68	4.66	1.45	18.55	78.08	1439.25
62 Electricity(9)	3436.88	+0.7	3411.61	3444.07	3410.32	2437.26	5.17	2.01	12.03	111.29	1952.84
64 Gas Distribution(2)	2356.82	+0.1	2353.46	2348.41	2339.99	1384.10	5.18	‡	‡	54.50	1334.44
66 Telecommunications(8)	2385.84	-3.1	2461.03	2437.08	2343.27	2020.68	3.87	1.55	20.83	44.69	1147.97
68 Water(12)	2874.96	+0.1	2873.45	2870.60	2879.25	2257.98	5.77	2.27	9.55	90.96	1721.55
69 NON-FINANCIALS(668)	2315.49	-0.3	2322.44	2352.46	2339.04	2035.64	3.59	1.76	19.78	62.10	1847.94
70 FINANCIALS(104)	4575.60	-0.2	4582.94	4645.64	4665.38	3122.40	3.19	2.43	16.08	119.84	2079.50
71 Banks, Retail(10)	7082.79	-0.2	7099.32	7219.83	7281.22	4459.00	2.85	2.55	16.84	183.00	2442.42
73 Insurance(16)	1831.76	-0.6	1842.39	1867.20	1847.73	1483.52	4.74	2.89	9.12	73.86	1479.54
74 Life Assurance(7)	4899.46	+0.2	4887.49	4912.47	4882.07	3518.46	3.51	2.32	15.36	121.00	2140.10
77 Other Financial(26)	3348.70	.....	3349.17	3374.34	3367.64	2623.82	3.15	1.99	19.93	70.61	2001.10
79 Property(43)	2000.40	+0.4	1993.37	1994.12	1995.29	1626.30	3.27	1.32	28.86	35.51	1287.45
80 INVESTMENT TRUSTS(127)	3480.59	-0.2	3488.50	3536.27	3528.18	3193.38	2.18	1.17	49.12	47.34	1250.39
89 FTSE All-Share(899)	2306.04	-0.3	2312.11	2342.50	2334.91	1930.18	3.45	1.89	19.10	53.35	2050.63
105 FTSE All-Share ex IT(772)	2306.84	-0.3	2312.98	2343.30	2335.63	-	3.50	1.91	18.73	22.47	1055.21
FTSE Fledgling	1252.42	-0.1	1253.18	1256.54	1251.93	1238.92	3.26	0.94	40.97	25.98	1359.61
FTSE Fledgling ex IT	1252.15	.....	1252.73	1253.80	1250.19	1251.83	3.64	0.93	38.95	26.53	1361.77
FTSE AIM	1028.1	.....	1027.8	1027.0	1024.2	-	1.02	0.78	80.00†	4.86	943.30

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4910.6	4922.2	4857.4	4867.9	4851.9	4861.3	4860.0	4865.4	4880.3	4924.8	4851.9
FTSE 250	4658.0	4661.4	4657.9	4652.5	4650.9	4651.3	4650.9	4650.3	4650.6	4662.8	4649.3
FTSE 350	2369.6	2374.3	2348.7	2352.3	2345.9	2349.6	2349.0	2351.1	2356.9	2375.4	2345.9
FTSE SmallCap	2253.66	2254.03	2254.19	2253.54	2253.50	2253.30	2253.05	2252.92	2252.90	2254.48	2252.87
FTSE All-Share	2315.56	2319.90	2296.55	2298.77	2293.91	2297.27	2296.75	2298.61	2303.96	2320.94	2293.90

Time of FTSE 100 Day's high: 9:12 AM Day's low: 11:59 AM. FTSE 100 1997 High: 4886.3 (26/08/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 9:12 AM Day's low: 11:59 AM. FTSE All-Share 1997 High: 2306.00 (26/08/97) Low: 1998.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	838	484½	+7½
AMVESCAP	1,100	398½	+2
ASDA Group†	4,600	149½xd	-¼
Abbey National†	851	822½	-7

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

COMPANY NOTICE

NOTICE

to the shareholders of outstanding 4 1/2% Convertible Debentures of

United Waste Systems, Inc.

Notice is hereby given to the holders of outstanding 4 1/2% Convertible Debentures of United Waste Systems, Inc. that at a Special Meeting of Shareholders held on Tuesday, August 26, 1997, the shareholders of the company voted to approve the merger of United Waste Systems and USA Waste Services, Inc.

August 25, 1997

Wells Fargo & Company

US$200,000,000
Floating rate subordinated capital notes due 1998

The notes will bear interest at 5.875% per annum for the interest period 27 August 1997 to 28 November 1997. Interest payable on 28 November 1997 will amount to US$151.77 per US$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

US INDICES

Dow Jones	Aug 25	Aug 22	Aug 21	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7859.57	7887.91	7893.95	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	103.86	103.87	103.99	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	2940.88	2987.02	2932.48	3009.25 (6/8)	2222.07 (2/1)	3009.25 (6/8/97)	13.23 (8/7/32)
Utilities	231.79	231.35	229.41	249.85 (22/1)	209.47 (25/4)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7974.08 (7904.86) Low 7791.75 (7895.35) (Theoretical¶) Day's high 7944.12 (7893.71) Low 7833.09 (7718.49) (Actual¶)

Standard and Poors	Aug 25	Aug 22	Aug 21	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	920.16	923.54	925.05	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials¶	1082.87	1086.84	1088.58	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial	105.44	105.93	106.41	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/9/74)
NYSE Comp.	478.03	478.93	479.76	497.00 (6/8)	389.47 (11/4)	497.00 (6/8/97)	4.64 (25/4/42)
Amex Comp.	648.85	643.83	646.56	654.06 (6/8)	541.20 (28/4)	654.06 (6/8/97)	524.20 (16/7/96)
NASDAQ Cmp	1601.57	1598.69	1607.36	1630.44 (6/8)	1201.00 (2/4)	1630.44 (6/8/97)	54.87 (3/10/74)

■ RATIOS

	Aug 22	Aug 15	Aug 8	Year ago
Dow Jones Ind. Div. Yield	1.66	1.69	1.61	2.21
	Aug 20	Aug 13	Aug 6	Year ago
S & P Ind. Div. yield	1.50	1.53	1.47	2.02
S & P Ind. P/E ratio	25.75	25.27	26.35	21.74

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Compaq	8,693,900	67¼	+½
Philip Mrs	5,122,300	44⅝	+⅜
K-Mart	3,841,200	14⅜	+¼
Gen Elec	3,581,800	64½	-¼
Gen Motors	3,034,800	66½	+1¼
Cardinal Hl	2,837,300	65¾	+3¼
Iomega	2,811,000	23¾	-⅛
Pepsico	2,510,100	36¾	-½
Ford Motor	2,398,400	44⅛	+1⅛
Gergen Bros	2,292,000	42	+12

■ TRADING ACTIVITY

● Volume (million)

	Aug 25	Aug 22	Aug 21
New York SE	388.965	415.892	458.323
Amex	19.142	24.048	25.567
NASDAQ	578.170	641.982	713.695
NYSE			
Issues Traded	3,382	3,362	3,354
Rises	1,587	983	893
Falls	1,215	1,912	1,920
Unchanged	580	467	541
New Highs	136	57	147
New Lows	23	30	10

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	923.40	918.00	-5.45	926.00	912.80	55,292	182,612
Dec	-	933.25	-	-	929.50	2,516	14,835

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	18590.0	18760.0	+120.0	18850.0	18500.0	19,803	164,858
Dec	18630.0	18760.0	+110.0	18830.0	18500.0	762	36,647

Open interest figures for previous day

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.

INDEX FUTURES

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, August 26, 1997

	Stocks Traded	Closing Prices	Change on day
Sakura Bank	6.0m	740	-5
NKK Corp	5.6m	188	-4
Taiyo Yuden	4.9m	1410	-130
LTCB	4.5m	620	+27
Hitachi	4.5m	1190	+10
Toshiba Corp	4.3m	730	+9
NEC Corp	4.3m	1530	+10
Fujitsu	4.3m	1580	+20
Kubota Corp	3.9m	503	-17
Nippon Steel Corp	3.9m	305	-4

4 pm close August 26

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33 5/16	24 1/4	AAR x	0.48	1.4	26	555	33 7/8	33 3/8	33 9/16	-1/16
53 1/4	33 3/8	AMP x	1.04	2.0	42	4781	52 1/16	50	51 1/16	-11/16
110 13/16	78 1/4	AMR			8	3706	106 15/16	105 3/8	105 1/2	-7/16
37 5/8	29 1/2	ASA	1.20	4.0	20	322	30 1/2	30 1/4	30 3/8	+1/8
62 13/16	49 3/4	AbbtL	1.08	1.8	24	12081	60 1/2	59 1/4	59 17/16	-3/16
29 1/2	14 1/8	AbtiBi	0.40	2.2	9	180	18 1/2	18 1/4	18 3/8	-3/16
25	17 3/8	ABM Ind	0.40	1.6	22	178	24 1/2	24 3/16	24 1/2	+1/8
24 1/8	17 3/4	Acptncpln			11	278	22	21 11/16	21 15/16	+1/16
87 1/4	56 1/8	ACE Ltd	0.88	1.0	11	470	85 1/2	84 1/2	84 5/8	
10 3/4	10	ACM Gvt In	0.90	8.6	11	593	10 9/16	10 7/16	10 1/2	
8	7	ACM GvOpp	0.63	8.2		57	7 3/4	7 11/16	7 11/16	-1/16
10 5/16	9 1/2	ACM Man	0.90	9.0		250	10	9 15/16	10	-1/16
10 1/8	6 1/8	Acme Elect				69	6 3/4	6 1/4	6 3/4	
20	13	Acme Mills				81	14 3/16	13 7/8	13 7/8	-1/8
22 11/16	14	ACNielsen			40	313	22 3/16	21 13/16	22 1/8	+1/8
29 3/4	19 1/8	Acuson				669	27 1/2	27 1/8	27 3/8	-1/8
24 1/2	19 3/8	Adams Expr x	0.55	2.3	1	285	23 3/4	23 7/16	23 9/16	-3/16
48 1/2	24 7/8	AdvMic				8075	41	38 1/4	39 3/8	-1 13/16
27 1/2	10 3/8	Advest Grp	0.12	0.5	16	155	23	22 5/8	22 15/16	-1/8
18 13/16	11 3/8	Advo Inc			17	146	17 15/16	17 5/8	17 13/16	-1/16
78 7/8	61 1/8	Aegon	1.31	1.7	21	1312	76 1/2	75 3/16	75 3/4	-1 1/2
9 1/4	3 1/8	Aeroflx				844	8 3/4	8 1/2	8 9/16	
57 1/2	33	Aero-V x	0.80	1.4	19	862	56 13/16	55 11/16	56 5/16	+3/16

- B -

- C -

- D -

- E -

- F -

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- H -

- I -

- J -

- K -

- L -

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- P - Q -

- R -

- S -

Continued on next page

NYSE PRICES

4 pm close August 26

Continued from previous page

[illegible]

- X - Y - Z -

84½	51½	Xerox	1.28	1.7	20	4559	77¾	75⅞	76¼	-¾
49	40½	Xtra Corp x	0.80	1.7	18	147	47$\frac{11}{16}$	47½	47½	+$\frac{1}{16}$
25	20¾	Yankee Egy	1.34	5.6	14	59	24	23¾	24	+⅛
56	37⅞	York Inl	0.48	1.1	14	1222	45¾	45⅜	45⅜	-$\frac{3}{16}$
6$\frac{5}{16}$	4	Zapata	0.28	4.8	48	57	5$\frac{13}{16}$	5$\frac{11}{16}$	5$\frac{13}{16}$	
13⅛	9⅜	ZenithE				625	10$\frac{13}{16}$	10½	10$\frac{9}{16}$	-$\frac{1}{16}$
29$\frac{3}{16}$	24⅝	Zenith Nat	1.00	3.7	16	61	26$\frac{13}{16}$	26$\frac{11}{16}$	26¾	-¼
8$\frac{1}{16}$	7½	Zenix Inc x	0.76	9.5		145	7$\frac{15}{16}$	7⅞	7$\frac{15}{16}$	+$\frac{1}{16}$
29¾	17¾	Zero x	0.12	0.4	20	23	27$\frac{1}{16}$	27	27	
12$\frac{9}{16}$	10¾	ZweigFdx	1.20	9.6		226	u12$\frac{9}{16}$	12½	12$\frac{9}{16}$	
9$\frac{1}{2}$	8	Zweig Tot x	0.84	9.3		494	u9$\frac{1}{16}$	9	9$\frac{1}{16}$	+$\frac{1}{16}$

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

u-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX PRICES

4 pm close August 26

[illegible]

NASDAQ NATIONAL MARKET

4 pm close August 26

[illegible]

- L -

Labone x	0.72	41	18	16⅛	15½	15½	
Ladd Furn		21	98	15⅞	15½	15$\frac{11}{16}$	-$\frac{3}{16}$
Lam Rsch			15266	64⅝	61	61$\frac{7}{16}$	-1⅞
Lancaster	0.72	17	303	50½	49$\frac{13}{16}$	50½	+¼
Lance ♣	0.96	23	149	21⅛	20⅞	21⅛	

- R -

Rainbow♣		14	318	18½	18⅛	18½	
Rallys			378	2$\frac{1}{16}$	d1⅞	1⅞	-$\frac{1}{16}$
Raymond	0.25	16	z0	32⅞	32½	32⅞	
RCSB Fin	0.60	17	270	48$\frac{9}{16}$	47½	47½	-1$\frac{1}{16}$
Read-Rite		29	42714	29⅛	27⅝	29	+1⅝
Recoton		20	208	13⅝	13⅛	13⅝	+⅛

- X - Y - Z -

Xilinx♣		35	11555	53	50¼	50⅛	-2¾
Xircom		24	4891	14⅞	14¼	14⅜	-⅜
Xoma Corp			2034	6⅝	6⅜	6$\frac{7}{16}$	
Yahoo			[illegible]	56¾	55½	56⅞	-⅞
Yellow			2520	u29⅜	28⅝	29	+¼
York Rsch		19	232	6¼	6	6⅛	
Zenith Nat	0.48	19	1025	35⅝	35½	35¼	

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.875		0	8.25	2.875	Lernout & Hauspie	US$21.375	-0.875	[illegible]	[illegible]	[illegible]
Artwork Systems	US$8.25		9825	11.125	8.25	Mercer Int'l	US$10.625		0	[illegible]	8.125
Chemunex	FFr10		0	18	10	NTL	US$20.5	-0.75	0	25.125	20.5
Dobson Holdings	GBP6.5		0	7.15	4.5	PolyTech	US$3.525		0	[illegible]	[illegible]
Dr Solomons ADS	US$23.875	-0.625	0	28.375	16.875	Schneider-Electronic	Sch1463	-46	[illegible]	[illegible]	[illegible]
EDAP TMS	US$7	-0.1875	0	9.125	6.9375	Topcall Int'l	Sch3135	-25	[illegible]	[illegible]	[illegible]
Esprit Telecom ADS	US$6	-0.375	0	12.25	5.375	Turbodyne Techn.	US$5.5	[illegible]	[illegible]	[illegible]	[illegible]
Innogenetics	US$10.25	-0.125	29075	12.75	10						

Prices for 26/8/97. Please note that mid prices are now used to calculate highs and lows. ... HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel: 32 2 / 227 65 20) and in London (Tel: 44 171 ...)

FINANCIAL TIMES Wednesday August 27 1997

US stocks drift lower at midsession

AMERICAS

Wall Street remained cautious at midsession as many stocks drifted lower, writes John Labate in New York.

By early afternoon the Dow Jones Industrial Average was down 32.52 at 7,827.05 while the Standard & Poor's 500 slid 1.38 at 918.78 and the Nasdaq composite lost 2.59 at 1,598.98.

"There's a lack of direction," said Warren Epstein, director of trading at Richard Rosenblatt & Co. With bonds weaker in the morning and interest rates slightly higher, the market continued to test its low side on light volume, Mr Epstein added.

Two internet companies, Amazon.com and Netscape Communications, stood out from a dull crowd as most leading technology companies traded lower. Netscape, which announced a joint venture with Sun Microsystems, surged \$2$\frac{7}{16}$ or more than 6 per cent higher at \$39$\frac{7}{16}$ while Amazon.com's shares gained \$1½ or nearly 5 per cent at \$27.

Another technology gainer, Cisco Systems, rose \$1½ at \$78¾ on a new product announcement. Other technology leaders, however, sank as Microsoft lost \$1$\frac{5}{16}$ at \$135$\frac{13}{16}$ and Compaq Computer fell \$1$\frac{3}{16}$ at \$65$\frac{13}{16}$.

Telecom companies moved generally lower as MCI fell \$¾ at \$29$\frac{1}{16}$. Long distance rivals AT & T and Sprint also lost ground, with AT & T down \$$\frac{11}{16}$ at \$39$\frac{7}{16}$ and Sprint off \$$\frac{13}{16}$ at \$46$\frac{1}{16}$.

Morning Treasury bond prices initially fell on the release of reports on consumer confidence and durable goods, but then rebounded by early afternoon. Durable goods orders for July fell 0.6 per cent but for June were revised to a 2.9 per cent increase. Excluding the aircraft sector, non-defence capital goods orders rose 5.3 per cent in July, as analysts continued to read signs of strength in certain sectors. The benchmark 30-Year Treasury bond was up by ⅛ at 96$\frac{5}{32}$ by early afternoon, sending the yield down to 6.655 per cent.

TORONTO was little changed at midday as robust bank earnings pushed the financial sector higher, almost offsetting losses in most other sectors. The TSE 300 composite index dipped only 0.32 to 6,732.59 in moderate volume.

Declining shares outpaced advances 414 to 358, while 280 issues traded flat. Nine of the 14 sub-indices lost ground, led by paper and forestry and metals. The sectors that bucked the trend included banks, golds and industrials.

Mexico City volatile

MEXICO CITY remained weak at midsession as Wall Street's early weakness and market volatility kept investors at bay.

In early afternoon trade, the IPC index, which posted losses in each of the three previous sessions, was 55.40 lower at 4,940.78.

Construction shares continued to fall in the wake of Friday's partial government bailout of toll road debts. Construction leader ICA was down 4 per cent or 95 centavos to 23.00 pesos, while Tribasa lost 1.50 pesos to 23.60.

CARACAS edged higher for a fifth straight session although still in fairly slow summer season trading. At midsession, the IBC index was 86.24 higher at 9,735.32.

Broker's said that Friday's approval of a one-for-six stock dividend for Electricidad had boosted the company's shares up another 7 bolivars to 852 bolivars yesterday, and brought support to the rest of the market.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1997	% change sterling † Start of 1997	% change in US $ † Start of 1997
Austria	-2.81	-5.36	+30.53	+18.38	+6.98	+0.35
Belgium	-2.09	-7.47	+33.53	+23.21	+11.14	+4.26
Denmark	+0.84	-2.73	+47.59	+30.22	+18.09	+10.78
Finland	-2.48	-3.48	+71.08	+42.14	+28.45	+20.49
France	-0.64	-3.97	+42.07	+23.73	+12.00	+5.05
Germany	-1.74	-5.03	+54.73	+38.31	+25.03	+17.29
Ireland	-3.05	-1.57	+40.37	+27.83	+18.52	+11.17
Italy	-2.06	-7.24	+48.88	+36.83	+25.05	+17.30
Netherlands	+2.64	-6.73	+62.42	+41.64	+27.67	+19.76
Norway	-1.76	-0.37	+49.46	+27.41	+14.29	+7.21
Spain	-1.00	-2.57	+67.93	+31.15	+18.11	+10.79
Sweden	-1.69	-3.14	+62.14	+34.40	+22.97	+15.35
Switzerland	-0.35	-5.73	+46.74	+38.89	+32.61	+24.40
UK	+0.47	+1.44	+22.47	+16.61	+16.61	+9.38
EUROPE	-0.32	-2.72	+40.35	+27.48	+20.26	+12.81
Australia	-1.95	-3.08	+18.17	+10.34	+10.74	+3.88
Hong Kong	-3.42	-0.10	+22.27	+6.06	+12.94	+5.94
Indonesia	-6.47	-18.12	+7.77	-12.06	-17.20	-22.33
Japan	-3.15	-5.46	-7.13	+0.58	+6.01	-0.56
Malaysia	-0.87	-13.45	-20.75	-28.14	-30.27	-34.59
New Zealand	+0.40	-1.38	+13.28	+6.64	+3.94	-2.51
Philippines	-0.09	-5.03	-27.78	-27.54	-31.84	-36.07
Singapore	+1.79	-11.02	-10.09	-13.20	-13.30	-18.67
Thailand	-13.63	-15.96	-56.52	-36.16	-48.45	-51.65
Canada	+0.65	-1.53	+33.11	+15.01	+20.54	+13.07
USA	+2.29	-1.51	+37.33	+24.24	+32.45	+24.24
Brazil	-1.81	-9.92	+61.23	+47.41	+49.60	+40.34
Mexico	+1.13	+4.83	+42.82	+45.57	+56.87	+47.15
South Africa	-1.97	-2.91	+9.39	+6.57	+13.21	+6.20
WORLD INDEX	+0.36	-2.65	+26.68	+18.97	+22.19	+14.62

† Based on August 22nd 1997.

Rate concerns keep pressure on Frankfurt

EUROPE

Expectations that the Bundesbank would have to raise interest rates soon to counter rising inflation kept **FRANKFURT** under pressure, although the decision to leave the repo rate unchanged at yesterday's regular weekly repo tender came as little surprise.

The Dax index closed the floor session down 112.46 at 3,959.33, but it subsequently recovered some of the lost ground to finish 83.05 or 2 per cent weaker at an Ibis-indicated 3,993.70.

Lufthansa, one of only two Dax 30 stocks to finish the *floor session in positive territory, subsequently turned down to close 59pfg weaker* at an Ibis-indicated DM37.40. *The better early tone was* attributed to Salomon Brothers' reiteration of its buy recommendation and *high expectations for first-half results, due tomorrow.*

Banking stocks, which had received support earlier from the announcement that UBS has bought German private bank Schroeder Muenchmeyer Hengst from Lloyds-TSB, ended the Ibis session weak. Deutsche Bank was DM1.40 weaker at DM110.25, Dresdner Bank lost DM1.72 to DM72.65 but Commerzbank *fell DM1.60 to DM65.20.*

PARIS took its cue from *the dollar's sharp fall, which* triggered some programmed *selling by US investment* funds. The CAC 40 index lost *29.31 to 2,869.26, off a low of* 2,836.20.

Jitters about German interest rates also fuelled the bearish sentiment. Shares were, however, dragged off their lows as the dollar tried to reclaim DM1.80 territory and as Wall Street struggled to contain its losses.

Alcatel Alsthom, which at one stage was down 3 per cent, closed down 1.7 per cent or FFr13 lower at FFr777. Brokers said the *share was hit by profit-taking by US funds after a very strong performance so* far this year.

Bic lost FFr15 or 3 per cent to FFr468 after beginning *legal proceedings in the US* to enforce an agreement reached in July to buy US pen manufacturer Sheaffer.

ZURICH was lower for a fourth straight day as the easing dollar, derivatives-linked selling, interest rate concerns and profit-taking all put pressure on prices. The SMI index, as low as 5,328.4 at one stage, finished 110.6 or 2 per cent lower on the day at 5,368.3

Novartis fell SFr47 to SFr2,163 ahead of first half profit figures expected tomorrow. Analysts said that they would be looking for signs that the life sciences group's cost-cutting plans were on track. Roche certificates gave up SFr310 to SFr13,190.

Alusuisse tumbled SFr62 or 4.6 per cent to SFr1,299 *after its report of an 8 per* cent gain in first half net *profit proved below expectations of a 10 per cent increase.*

ABB was SFr41 lower at *SFr2,301, although Salomon* Brothers initiated covering *of the stock as a "buy" and* set a share price target of *SFr3,015.*

MILAN was unable to *divorce itself from the Ger*man rate worries and the *Comit index fell 6.18 at* 884.91 while the real-time *Mibtel index was 122 lower* at 14,160.

Olivetti took a roller-coaster rise. The shares rose an early 2.7 per cent, adding to Monday's 5 per cent surge, on continuing speculation the company might be acquired by a foreign buyer interested in its Omnitel mobile phone unit.

Subsequently the gains were erased as Deutsche Telekom doused speculation it was planning to buy the information technology group. By the close the shares had picked up once again to trade L15.1 higher at L748.1.

Compart, up 10 per cent over the last week, gave up *L18.8 to L860, and Fondiaria* fell L82 to L8,830 on reports, *confirmed after the market* closed, that it planned to *merge its La Previdente unit* into Milano Assicurazioni.

STOCKHOLM was weighed down by a sell off of market heavyweight Ericsson, but pared its losses after fears of sharp falls on Wall Street failed to materialise. The general index shed 22.96 to 3,064.44.

Ericsson started the day in the spotlight after a weak *performance in the US overnight.* It quickly fell through the technical support level of Skr340, triggering a wave of *selling. The share ended the* day Skr6 down at Skr338.50.

AMSTERDAM tumbled on renewed interest rate fears. *The AEX lost 18.75 or 2 per cent to 903.44, managing to* hold above the 900 level.

Aegon had a particularly bad day after outperforming the rest of the market over the past few trading days *as* analysts raised earnings forecasts. The insurer lost Fl 5.40 to Fl 153.80.

VNU also came off sharply ahead of the release of its first-half earnings just after the close of trade. The publisher, which announced earnings in line with expectations, fell *Fl 1.40* or 3 per cent to Fl 44.10.

COPENHAGEN followed foreign markets lower in thin trade. *The KFX index* lost 1.28 to close at 182.96 in turnover of only Dkr799m.

East Asiatic Company plunged 25 per cent – on news of a sharp drop in profits in the first-half and a forecast of a full-year operating loss – but recovered to a Dkr112 close.

Written and edited by Michael Morgan and Greta Steyn

FTSE Actuaries Share Indices — European series

August 26

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total rtn (Ecu)
FTSE Eurotop 300	937.02	-1.21	-11.51	2.41	0.12	939.29
FTSE Eurotop 100	2172.86	-1.47	-32.38	-	-	-
FTSE Eurotop 300 Regions						
300 UK	948.12	-1.09	-10.37	3.42	0.15	953.97
300 Ex-UK	930.83	-1.43	-13.49	1.84	0.07	931.10
300 Eurobloc	932.59	-1.38	-13.06	2.02	0.11	933.01
300 Ex-Eurobloc	940.44	-1.09	-10.39	2.89	0.12	944.06
FTSE Eurotop 300 Economic Groups						
Resources	985.37	-1.24	-12.12	2.85	0.00	968.84
General Industries	954.54	-1.29	-12.46	2.08	0.00	955.15
Consumer Goods	908.01	-1.32	-12.13	2.03	0.00	910.13
Services	938.57	-0.86	-8.13	2.36	0.59	940.20
Utilities	929.93	-1.60	-15.11	3.37	0.00	934.58
Financials	936.14	-1.09	-10.33	2.45	0.17	939.53

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International.

Kuala Lumpur tumbles 3.2% on weak currency

ASIA PACIFIC

Renewed currency weakness pushed **KUALA LUMPUR** down 3.2 per cent to close at its lowest level since October 1993.

Selling momentum picked up as the composite index fell through support at 880 points and the measure went on to finish 27.96 lower at 856.78. The index lost 2.3 per cent on *Monday.*

The Second Board index of *small-capitalised shares also* gave ground, closing 14.31 or *3.1 per cent down at 447.83.*

Volume totalled more than 288m shares and losers swamped gainers by 667 to 64.

Malayan Banking, Malaysia's biggest bank, lost M\$1 to M\$20. After the close, the bank reported full-year net profits of M\$1.3bn, which were in line with expectations.

TOKYO was higher at the end of an erratic day, helped by a late surge of buying on the afternoon recovery of index futures, *writes Gwen Robinson.*

The Nikkei 225 average rose 158.81 to 18,814.98 after moving between 18,538.45 and 18,866.79. Dealers were reluctant to take big positions *on the final trading* day for August delivery, and the 225 average hovered around Monday's closing *level for most of the day.*

In the early afternoon, however, the rise in 225-index futures prompted arbitrageurs to purchase a broad range of cash stocks while domestic institutions placed large-lot buy orders, driving the 225 average up more than 200 points shortly before the close.

In a reflection of growing uncertainty over the direction of the economy, the mood remained hesitant ahead of Friday's announcement of June industrial output figures and other important data.

Big investors were also *waiting to see what course* New York would take after *the recent correction of US* high technology stocks and *other leading issues.*

Volume rose to an estimated 334m shares from 322m. Advances led declines 683 to 403 with 153 unchanged. The Topix index of all first-section stocks gained 11.85 to 1,465.91 and the capital-weighted Nikkei 300 was up 2.31 at 286.72.

In London, the ISE/Nikkei 50 index fell 0.63 points to 1,619.81.

High technology and other blue chip issues mostly gained ground after their recent decline. Sony rose Y400 to Y11,100, Advantest Y400 to Y10,600 and Fanuc Y140 to Y4,710. TDK, which announced a 30 per cent surge in first-quarter consolidated pretax profit, jumped *Y310 to Y9,390. Kyocera,* however, fell Y100 to Y8,200.

Car makers were bought. Toyota rose Y100 to Y3,220 *and Honda Y30 to Y3,630.* General contractors were mixed after gaining in recent sessions. Among smaller construction-related stocks, Fujita rose Y2 to Y109 and Mitsui Construction Y5 to Y210, while Aoki fell Y1 to Y65 and Taisei shed Y10 to Y490. Among leading contractors, Obayashi fell Y17 to Y764 while Kajima rose Y12 to Y666.

In Osaka, the OSE average rose 118.85 to 19,842.37 and volume swelled to 50m shares.

MANILA took another hammering as uncertainty over regional currencies undermined sentiment, pushing the market to a new *21-month low. The composite* index ended 63.21 or 2.67 per *cent down at 2,300.82.*

Comments by the central bank that it would tighten liquidity if the peso weakened further put pressure on property shares. Ayala Land fell 75 centavos to 16.75 pesos and C & P Homes lost 1.80 pesos to 5.80 pesos.

SEOUL skidded 1 per cent as investors turned away from the market in a show of dissatisfaction with government steps to stabilise financial markets and worries over the won's slide against the dollar. The composite index lost 7.73 at 734.03.

Investors were said to be particularly disappointed that the government had raised the foreign stock ownership limit from 23 per cent to 26 per cent, and not by *five percentage points as had* been widely expected.

HONG KONG edged lower as H shares stumbled after their recent rally and with properties the only sector to make any gains. The Hang Seng index lost 51.66 at 15,547.22.

TAIPEI steamed ahead to a seven-year high on expectations that President Lee Teng-hui would be re-elected as chairman of the ruling Nationalist Party. The weighted index added 105.37 to 10,116.84.

Electronic shares came off the boil, with brokers saying they were beginning to look expensive. Plastics gained 3.3 per cent, as Nan Ya Plastics rose T\$3 to T\$80.50. Financials also powered ahead after the government auction of 418m Chiao Tung Bank shares. *Chiao Tung* soared by the daily 7 per cent limit or T\$6 to T\$96.50.

JAKARTA ended up after a volatile session characterised by rumours that the central bank was set to cut interest rates. The composite index closed up 13.31 or 2.5 per cent at 554.24 after falling 4 per cent in the morning to a new year-low of 517.40.

Banking shares, which had borne the brunt of the recent sell-off, rebounded on talk that the central bank would lower a key money market rate. Bank International Indonesia topped the active list and was up R100 to R1,050 after falling to a year low of 825 in early trading.

SYDNEY slipped at the close in response to Wall Street's uninspiring performance. The All Ordinaries index shed 10.8 to 2,626.3 after reaching a high of 2,642.1. Mining and Forestry group North went against the trend, rising 15 cents or about 3 per cent to A\$4.89 on foreign interest after favourable broker recommendations.

J'burg follows global trend

South African shares followed world markets lower after a key speech by Chris Stals, the governor of the Reserve Bank, failed to inspire. The all share index fell 20 to 7,378.6, the industrial index lost 26.4 to 9,088.7 and the gold index added 13.9 to 1,039.9.

The market gained heart from Mr Stals's upbeat comments about the health of the economy, but was disappointed by his decision to give no hint as to when interest rates might fall. Money supply figures due later in the week may provide clues on interest rates.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY AUGUST 25 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY AUGUST 22 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	231.89	0.6	214.32	173.92	219.44	208.54	0.7	3.72	230.51	212.91	171.06	217.78	205.03	243.87	200.17	207.55
Austria (25)	192.32	0.9	177.75	144.24	181.99	181.90	1.1	1.81	190.57	176.02	141.42	180.05	179.94	206.00	174.70	179.91
Belgium (28)	238.59	-0.3	218.67	177.44	223.88	219.19	-0.3	3.12	237.38	219.25	176.16	224.27	219.76	261.11	213.92	217.98
Brazil (30)	271.62	2.0	251.04	203.71	257.03	545.95	2.1	1.35	266.18	245.86	197.53	251.48	534.79	322.44	172.54	176.61
Canada (126)	215.94	0.6	199.58	161.95	204.34	217.62	0.4	1.70	214.66	198.27	159.30	202.81	216.71	224.03	162.51	164.38
Denmark (32)	391.76	0.5	362.08	293.82	370.72	389.51	0.5	1.48	389.90	360.13	289.34	368.37	387.72	421.25	317.47	318.05
Finland (28)	294.01	-0.7	271.73	220.50	278.22	335.78	-0.6	1.64	295.97	273.37	219.64	279.63	337.72	314.06	205.98	209.51
France (83)	224.18	-0.3	207.20	168.14	212.14	215.62	-0.2	2.44	224.89	207.72	166.89	212.47	215.99	237.57	187.42	191.35
Germany (58)	222.06	-0.3	205.24	166.55	210.14	210.14	-0.2	1.35	222.84	205.82	165.37	210.53	210.53	238.42	172.93	175.82
Hong Kong, China (66)	543.07	1.1	501.92	407.30	513.90	539.86	1.1	2.85	537.16	496.15	398.63	507.50	534.07	580.03	421.41	437.80
Indonesia (27)	165.00	-6.9	152.50	123.75	156.14	273.81	-5.8	2.37	177.23	163.70	131.52	167.44	290.84	254.90	165.00	190.23
Ireland (17)	364.94	-0.2	337.29	273.70	345.34	350.80	0.2	2.78	365.58	337.68	271.30	345.40	349.93	376.16	286.44	286.44
Italy (53)	98.54	0.6	91.08	73.91	93.25	130.60	0.7	1.82	97.93	90.46	72.68	92.53	129.73	105.79	73.26	77.28
Japan (485)	126.87	-1.1	117.26	95.16	120.06	95.16	-0.1	0.83	128.35	118.55	95.25	121.26	95.25	149.95	107.57	148.95
Malaysia (107)	386.16	-2.1	356.91	289.62	365.43	412.34	-2.2	1.69	394.58	364.46	292.82	372.80	421.64	660.65	383.63	554.96
Mexico (27)	1797.87	0.2	1661.66	1348.40	1701.31	15241.99	-0.3	1.47	1794.99	1657.94	1332.06	1695.89	15283.37	1864.38	1136.59	1296.86
Netherlands (19)	405.50	0.7	374.78	304.13	383.73	379.32	0.9	2.08	402.57	371.83	298.75	380.34	375.91	431.66	297.04	301.49
New Zealand (14)	89.43	0.0	82.66	67.08	84.63	73.33	-0.3	4.16	89.47	82.64	66.40	84.53	73.55	96.47	83.03	88.08
Norway (41)	316.51	-0.1	292.53	237.38	299.52	326.16	-0.1	1.88	316.85	292.66	235.13	299.35	326.36	330.72	248.20	250.02
Philippines (22)	126.53	-2.8	116.95	94.90	119.74	188.23	-2.7	1.10	130.19	120.25	96.61	123.00	193.40	214.07	124.51	208.50
Singapore (42)	342.21	0.2	316.28	256.66	323.83	235.80	0.3	1.30	341.44	315.37	253.38	322.59	234.92	448.01	329.94	401.97
South Africa (44)	340.25	0.6	314.47	255.19	321.98	349.09	0.6	2.45	338.16	312.34	250.95	319.49	346.94	370.12	301.49	325.89
Spain (33)	245.17	0.7	226.60	183.88	232.01	285.85	0.8	2.32	243.51	224.92	180.71	230.07	284.06	276.05	173.01	178.17
Sweden (49)	483.37	-0.7	446.75	362.53	457.41	569.97	-0.6	1.81	486.66	449.50	361.15	459.79	573.18	512.39	358.30	360.17
Switzerland (33)	296.49	-0.1	274.02	222.36	280.56	275.68	-0.1	1.21	296.76	274.10	220.22	280.37	275.84	329.59	231.69	252.84
Thailand (42)	43.41	-6.3	40.12	32.56	41.08	57.45	-5.8	5.37	46.32	42.79	34.38	43.76	60.86	146.69	43.41	145.56
United Kingdom (213)	309.54	-0.1	286.09	232.15	292.92	286.09	0.0	3.49	309.74	286.09	229.86	292.64	286.09	325.28	244.64	245.92
USA (636)	373.90	-0.3	345.57	280.43	353.82	373.90	-0.3	1.65	375.02	346.39	278.30	354.32	375.02	389.67	264.75	271.72
Americas (819)	341.80	-0.2	315.90	256.35	323.44	287.95	-0.2	1.65	342.56	316.41	254.22	323.65	288.63	356.35	242.47	248.60
Europe (713)	270.24	0.0	249.76	202.68	255.72	260.79	0.1	2.44	270.35	249.71	200.62	255.42	260.65	284.44	212.81	215.93
Nordic (150)	413.47	-0.5	382.15	310.10	391.26	425.94	-0.4	1.74	415.32	383.61	308.21	392.39	427.46	437.88	310.57	312.14
Pacific Basin (881)	144.32	-0.8	133.39	108.24	136.57	109.14	0.0	1.33	145.53	134.41	107.99	137.49	109.16	162.78	127.18	162.78
Euro-Pacific (1594)	196.88	-0.4	181.97	147.66	186.31	166.11	0.0	1.97	197.63	182.54	146.66	186.72	166.07	209.12	173.55	184.80
North America (762)	364.10	-0.3	336.52	273.08	344.55	363.50	-0.3	1.65	365.04	337.17	270.90	344.89	364.46	379.38	258.56	265.17
Europe Ex. UK (500)	242.99	0.0	224.58	182.24	229.94	240.54	0.1	1.85	243.06	224.50	180.37	229.64	240.34	258.73	191.01	194.84
Pacific Ex. Japan (396)	294.74	0.2	272.41	221.06	278.91	268.15	0.2	2.86	294.26	271.79	218.37	278.01	265.58	320.65	280.77	288.83
World Ex. US (1821)	201.06	-0.3	185.83	150.79	190.26	173.04	0.1	1.95	201.63	186.24	149.63	190.50	172.92	212.89	176.94	186.02
World Ex. UK (2244)	251.21	-0.3	232.18	188.41	237.72	225.10	-0.1	1.62	252.01	232.77	187.02	238.09	225.36	262.89	204.12	209.33
World Ex. Japan (1972)	322.16	-0.1	297.76	241.62	304.86	316.39	-0.1	1.98	322.60	297.97	239.40	304.79	316.74	334.83	242.70	247.11
The World Index (2457)	256.24	-0.3	236.83	192.18	242.48	230.76	-0.1	1.81	256.89	237.37	190.71	242.80	231.00	267.21	207.54	212.50

PLEASE NOTE: Amendments to indices 25/8/97 applied to Philippines, related regional indices and The World Index. Latest prices were unavailable for this edition. Market closed 25/8/97: UK.